

EMPLOYEE POLICY HANDBOOK

(Manager: Attach Job Description to this package and give to employee)

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WELCOME AND INTRODUCTION

Welcome to Monarch Properties, Inc.

As you become acquainted with Monarch Properties, Inc. and the personnel with whom you will be working, we trust you will share the pride resulting from our accomplishments.

Monarch Properties, Inc. is a private Texas Corporation, chartered in 1982, and is involved with the ownership and management of multi-family apartment communities throughout New Mexico, Oklahoma and Texas, both conventional and affordable. Monarch's corporate office is located in Albuquerque, New Mexico. The combined total apartment units under management have consistently averaged more than 7,500.

Vice President, Jack MacGillivray, CPM[®] is Monarch's Chief Executive Officer. Currently, the Albuquerque corporate office employs thirty-three employees encompassing full service accounting, under the supervision of Mr. Jerry Burkholder, CPA, five Compliance Specialists, ten Regional Property Supervisors, and several support staff employees. Monarch currently employs over three hundred employees throughout New Mexico, Oklahoma and Texas.

We are glad you have chosen to join our team. Monarch is committed to professionalism, quality, innovation, responsiveness and teamwork. Monarch cares about and supports its greatest resource—its people.

PURPOSE OF THIS HANDBOOK

This Handbook is intended as general management guidelines for the exclusive use of Monarch Properties, Inc. It has been prepared to give you and your family information about your job, company benefits and some of our personnel practices. We hope it will answer most of your questions. It will also give you an idea of what you may expect from us and what we expect from you.

Unless otherwise noted in the text of this Handbook, "Company" shall refer to Monarch Properties, Inc. For the purpose of this Handbook, "Corporate Officers of the Company" shall refer to Jack MacGillivray, Vice President, and John Autry, President.

In order to preserve the Company's ability to meet its needs under changing conditions, the Company, at its sole discretion, reserves the right to change this Handbook or any of its policies at any time, with or without notice. Please note that the application of these guidelines may vary depending on the circumstances of a particular case. Always consult your Supervisor regarding the most current policies, practices, or benefits and their application to you. In the event of a conflict between the language in this Handbook and any benefit statement, the benefit statement will control.

Your employment relationship with Monarch Properties, Inc. is "AT-WILL" EMPLOYMENT. At-will employment may be terminated either by the employee or the Company at any time, with or without cause. No one other than the Corporate Officers of the Company through a signed, written document, has the authority to enter into a contract of employment with you or to employ you on any basis other than employment at-will.

We hope that your relationship with the Company is happy and productive, and that this manual will be of use to you in understanding the policies that affect your employment.

EMPLOYMENT AT-WILL

The management of the Company and the direction of all employees are the exclusive right and responsibility of the Company. The Company retains all final authority necessary to engage in management and direction. Therefore, the Company has the exclusive right and responsibility to establish, change, interpret and administer all policies and procedures relating to the organization and the operation of the Company, to set standards, and to determine the method, means and personnel by which the Company's operations will be conducted. The Company is an "at-will employer" and therefore has the exclusive right to perform, at its absolute discretion, all functions of management including, but not limited to:

- the right to correct behavior, discipline, demote, suspend and discharge employees with or without cause, warning or notice as set forth in the Employee Handbook
- to select, hire, assign, transfer, promote and reward employees; to lay off or recall employees
- to establish, increase, abolish, reduce, alter or consolidate amounts and forms of compensation, fringe benefits and other compensatory features of the employee relationship
- to determine and assign the duties to be performed and the manner and means by which employees will perform assigned duties
- to introduce, alter, consolidate and abolish operations, services or facilities
- and to otherwise determine all matters necessary for the conduct of the business of the Company.

No oral representations, statements or promises made at any time which are different from this Employee Handbook will be binding on the Company unless they are reduced to writing, signed and approved by the Corporate Officers of the Company. No other written document establishes the policies of the Company and none shall be construed as such.

ANTI-DISCRIMINATION POLICIES

EQUAL OPPORTUNITY EMPLOYMENT

It is the policy of the Company to provide equal opportunity employment to all employees and applicants for employment. No person shall be discriminated against in employment because of such individual's race, religion, color, sex, age, national origin, familial status, disability, sexual orientation, gender identity, spousal affiliation or serious medical condition.

This policy applies to any and all terms, conditions and privileges of employment including hiring, training and development, promotion, transfer, compensation, benefits, lay off and preferential rehire, social and recreational programs, termination and retirement.

ANTI-HARASSMENT POLICY

Monarch strives to maintain a work environment that is free of discrimination, intimidation, hostility, or other offenses that might interfere with work performance. In keeping with this desire, we will not tolerate any unlawful harassment of employees by anyone, including any supervisor, co-worker, vendor, client or customer.

An individual's race, religion, color, sex, age, national origin, familial status, disability, handicap, sexual orientation, gender identity, spousal affiliation or serious medical condition, shall not be the subject of any unwelcome comments or harassment of any kind.

What Is Harassment?

Harassment consists of unwelcome conduct, whether verbal, physical or visual, that is based upon a person's protected status, such as color, disability, gender, national origin, race, religion, age, sexual orientation, gender identity, spousal affiliation, serious medical condition or other legally protected status. We will not tolerate harassing conduct that affects tangible job benefits, that interferes unreasonably with an individual's work performance, or that creates an intimidating, hostile, or offensive working environment. Harassment can take many forms, including, but not limited to: words, signs, jokes, pranks, intimidation, physical contact or violence.

Sexual Harassment

Harassment is not limited to conduct that is sexual in nature. However, sexual harassment deserves special mention. Unwelcome sexual advances, requests for

sexual favors, and other physical, verbal or visual conduct based on gender constitute sexual harassment when:

- submission to the conduct is an explicit or implicit term or condition of employment;
- submission to or rejection of the conduct is used as the basis for an employment decision; or
- the conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile or offensive working environment.

Sexual harassment may include explicit sexual propositions, sexual innuendo, suggestive comments, sexually oriented "kidding" or "teasing," "practical jokes," jokes about gender-specific traits, foul or obscene language or gestures, display of foul or obscene printed or visual material, including material electronically communicated or transmitted, and physical contact such as patting, pinching or brushing against another's body. Sexually harassing conduct may also include any other verbal or physical conduct of a sexual nature that prevents an individual from effectively performing the duties of his or her position or creates an intimidating, hostile or offensive working environment, or when such conduct is made a condition of employment or compensation, either implicitly or explicitly.

Responsibility

All employees, and particularly supervisors, have a responsibility for keeping the work environment free of harassment. The individual who makes unwelcome advances, threatens or in any way harasses another employee may be personally financially liable for such actions and their consequences.

Reporting

If you feel that you have experienced or witnessed unlawful discrimination or harassment, you are to notify your supervisor immediately and report it to Monarch at 505-260-4800.

Although we encourage you to use the channels through the company Grievance Form included in this Handbook, you also have the right to contact your New Mexico Department of Workforce Solutions, Human Rights Bureau or your local Equal Employment Opportunity Commission (EEOC) office.

All reports will be promptly investigated with due regard for the privacy of everyone involved and, if warranted, appropriate remedial action will be taken. The Company forbids retaliation against anyone for reporting suspected unlawful discrimination or harassment, assisting in making a discrimination or harassment complaint, or cooperating in a discrimination or harassment investigation. To the fullest extent

practicable, the Company will keep complaints and the terms of their resolution confidential.

Any employee found to have unlawfully discriminated against, or illegally harassed a fellow employee or subordinate will be subject to severe disciplinary action and may be terminated.

AMERICANS WITH DISABILITIES ACT

It is the policy of the Company to comply with the relevant and applicable employment provisions of the Americans with Disabilities Act (ADA). We will not discriminate against any qualified employee or job applicant with respect to any terms, privileges, or conditions of employment because of a person's physical or mental disability.

If you think you will need a reasonable accommodation in order to perform essential job functions, you should inform the Company that you need an accommodation. Employers are required to provide reasonable accommodation only for the physical or mental limitations of a qualified individual with a disability of which they are aware. It is your responsibility to inform the Company that an accommodation is needed. Report any perceived ADA problems or concerns in accordance with the Open Door Policy in this Handbook.

DEFINITIONS

The Company has three (3) categories of employment.

Regular Full-Time Employee: A regular full-time employee is scheduled to work in an authorized full-time position of 30 or more hours per week, on a regular basis for an indefinite period. A regular full-time employee is entitled to most of the benefits as further described in this Handbook.

Full-time employees are employed as either exempt or non-exempt.

Exempt Salaried Employ: The Employee who is an executive, administrative or professional employee or a computer employee exempt from the minimum wage and hour provisions of the US Department of Labor regulations under the Fair Labor Standards Act.

Fluctuating Work Week Employ: The Employee will be paid extra for hours worked over 40 in a week on a fluctuating workweek formula approved by the US Department of Labor. Under this formula the “regular rate” of pay is determined by dividing the weekly salary by the total hours actually worked during the workweek.

Non-Exempt Hourly Employ: The Employee will be paid extra for hours worked over 40 in a week. The Employee will be paid one-and-a-half (1½) times the “regular rate” for the hours worked over 40 in a workweek in addition to their regular pay.

Regular Part-Time Employee: A regular part-time employee is scheduled to work less than 30 hours in an authorized part-time position on a regular basis for an indefinite period. A regular part-time employee is not entitled to insurance benefits as further described in this Handbook.

Temporary Employee: A temporary employee is scheduled to work in an authorized temporary full-time or part-time position for a fixed period of up to six months. Such employees are not entitled to most benefits including but not limited to paid holidays, paid leave or insurance benefits as further described in this Handbook.

PAYROLL TERMS

Payday: Payments will be made on the Friday following the close of each payroll cycle.

Payroll Cycle: Each Payroll Cycle will be on a bi-weekly basis, which includes two consecutive workweeks.

Workweek: The company workweek begins at 5:01 p.m. every Friday and ends at 5:00 p.m. the following Friday.

EMPLOYMENT PRACTICES

IMMIGRATION LAW COMPLIANCE

The Company is committed to employing only United States citizens and aliens who are authorized to work in the United States and does not unlawfully discriminate on the basis of citizenship or national origin.

In compliance with the Immigration Reform and Control Act of 1986, each new employee, as a condition of employment, must complete the Employment Eligibility Verification Form I-9 and present documentation establishing identity and employment eligibility. Former employees who are rehired must also complete the form if they have not completed an I-9 with the Company within the past three years, or if their previous I-9 is no longer retained or valid. Employees will not be allowed to continue employment without providing this documentation within three (3) days of commencing employment.

Employees with questions or seeking more information on immigration law issues are encouraged to discuss the issues with your supervisor. Employees may raise questions or complaints about immigration law compliance without fear of reprisal.

CONTRACT LABOR

All persons hired to do work for the company must be hired as employees with required income tax withholding deducted from their paychecks. Contract labor cannot be utilized unless the person doing the work is a bona-fide contractor who covers himself with Workmen's Compensation Insurance, pays his own withholding taxes, and completes form MO-11. A contractor must also submit business invoices in order to receive payment from the property operating account.

EXPENSE REIMBURSEMENT

You must have written authorization prior to incurring an expense on behalf of the company.

For expenses or supplies less than \$100, reimbursement is generally made through petty cash made available from your supervisor (or property accountant). To be reimbursed for all authorized expenses, you must submit original invoices. Site Managers must follow instructions for petty cash reimbursements and complete *Petty Cash Report (MO-4)*.

Employees who use their personal vehicle to do company business will be eligible for reimbursement at the current standard mileage rate as published by the Internal

Revenue Service. *Mileage Reimbursement Request* (Form MO-3) is used to request reimbursement. The completed form should be sent to the property supervisor on a monthly basis. Reimbursement will usually occur on the following regular check run.

HIRING OF RELATIVES

Relatives of Managers, assistant managers, or maintenance foremen will not be hired at the same property in which they work without the prior written approval of the Property Supervisor. Please review the "Conflict of Interest" section of this Handbook.

HOUSING OF FAMILY MEMBER(S) AND/OR FRIEND(S)

You may not move-in a family member or friend without the prior written approval of the Property Supervisor or Occupancy Supervisor.

LIVING ON PROPERTY

Employees may live on property only with the prior approval of the property supervisor.

a) Rent Discounts

Some managers, assistant managers, and/or specified maintenance personnel may be required to live at the property in order to perform "On Call" duty. In return they may be given discounted rent in lieu of wages. Employee rent discounts must not be offered without the prior direction of the property supervisor. Rent discount benefits are not taxable for either income tax or social security, but still must be included on the pay stub for other purposes. The market value of the discounted rent is an addition to wages and a deduction in the same amount so that the net check is unaffected.

Anyone receiving a rent discount must sign a *Rent-Free Addendum* to the apartment Rental Agreement prior to moving in.

b) Screening

Criminal background checks of all persons over 18 years of age who reside on property, the employee or anyone residing with them, are required and will be evaluated prior to allowing an employee to move-in.

MINIMUM WAGE

All employees will be paid an amount at least equal the greatest of the current Federal, State or local minimum wage rate.

“ON CALL” DUTY

Because of the nature of property management, all employees are required to have a telephone installed within ten (10) days of hire, and are subject to “*on call*” duty. The purpose of “*on call*” duty is to address problems of an emergency nature which a resident may have, anytime in which the property office is closed. When “*on call*”, the employee may be required to carry a telephone pager, if supplied by your supervisor. “*On call*” duty is a job requirement, and is not subject to compensation; however, compensation is always paid for time actually worked, whether or not it is a result of “*on call*” duty being performed.

OPEN DOOR POLICY

Whenever you have a problem or complaint, we expect you to speak up. First, talk to your immediate supervisor. Your supervisor is most familiar with you and your job and is, therefore, in the best position to assist you. If, however, you are not comfortable talking with your supervisor about your concerns or the supervisor is the object of your concerns, you may speak with your supervisor’s supervisor or use the Grievance Form provided to you in this Handbook or make an appointment to speak with Jack MacGillivray, Vice President, at Monarch’s main office, telephone number 505-260-4800.

If you find you have a work-related problem or concern, you are encouraged to talk it over with your supervisor or another member of company management. Even if it seems minor to you, we want you to air the problem in hopes that it can be resolved before becoming a major issue.

PAY RAISES

The Company is committed to maintaining a fair and competitive wage structure. Obviously, pay increases are not guaranteed. The timing and amount of any increase is always dependent upon the economic climate in which it occurs and other factors in discretion of management.

The Supervisor must approve every employee’s wage rate in advance so that total payroll costs can be maintained within budget.

PAYROLL ADVANCES

Payroll cannot be issued in advance under any circumstances.

PAYROLL DEDUCTIONS

Your earnings and payroll deductions are shown on your earning record. Deductions required by law are listed, as well as deductions you have authorized the Company to make in writing. The following is a list of the standard deductions:

- Federal and state income tax withheld is a given percent of your salary established by federal and state government.
- Both you and the Company pay social security for your benefit. You pay a percentage of your wages and the Company pays the same percentage on your behalf.
- Workman's Compensation Fee is deducted in accordance with state law.
- Upon termination of employment, the employee agrees that the Company may deduct amounts equivalent to the following items from employee's final paycheck:
 1. Advances by the property owner or the Employer to the Employee and not repaid.
 2. The value of any other asset or property due the property owner or Employer by the Employee and not delivered to the property owner or Employer.
 3. All monies of the property owner or employer collected by or coming into the possession of the Employee and not delivered to the property owner or Employer.

PERFORMANCE REVIEWS

Your performance will be formally reviewed, and determined by your supervisor, no less often than annually. You and your supervisor will assess your progress toward performance goals; discuss future developmental needs and growth opportunities available to you. Performance reviews do not guarantee continued employment, raises or promotions.

PERSONNEL FILES

Keeping your personnel file up-to-date can be important to you with regard to pay, deductions, benefits, and other matters. If you have a change in any of the following items, please be sure to notify your Supervisor as soon as possible:

1. Change of beneficiary for insurance and retirement plans
2. Driving record or status of driver's license, if you operate any Company vehicles
3. Emergency telephone number
4. Exemptions on your W-4 tax form
5. Change of Automated Payroll Deposit Financial Institution
6. Home address

7. Home telephone number
8. Legal name
9. Marital status
10. Number of dependents

Access to Your Personnel File

The Company understands that there may be times when you want to review the contents of your personnel file. Our policy for access is as follows, unless required differently by state law:

Current Employee – Upon request and with a 24-hour advanced notice, you may review the contents of your personnel file with a member of management present. You may photocopy any documents in your file that contain your signature.

Former Employee – Former employees are not allowed access to their personnel file unless required by state law, court order or subpoena.

SUPERVISOR AUTHORITY

Your supervisor does not have the authority to harass you, create a hostile work environment, physically threaten you, or demand sexual or other favors. As you have read, the Company has a strict policy forbidding illegal discrimination or harassment. Immediately report any problems to the next level of management or Jack MacGillivray.

Many questions can be answered by reading this Handbook. Feel free to ask for clarification as necessary. Any problem that hinders the efficient completion of your job responsibilities should be taken up with your supervisor.

TIME RECORDS

All employees are required to keep accurate records of all time actually worked including any non-scheduled or overtime, “on and only on”, timesheets provided by Monarch. All employees must complete their own timesheet supplied by Monarch. Each employee must record hours worked and sign his or her time card by the end of each payroll period. Managers and or Supervisors may NOT record hours worked for any employees other than themselves – NO EXCEPTIONS. The supervisor must verify and account for all scheduled hours that were not actually worked by the employee (i.e. paid leave, personal time off, etc.). Any supervisor who alters, changes or influences any employee in the employee reporting of “actual hours worked” will be subject to immediate termination. Falsifying any timesheet may result in disciplinary action or immediate termination.

BENEFITS

The following employee benefits are available, subject to the eligibility requirements defined in this Handbook and/or individual policy manuals provided by the insurance providers. In the event of a conflict between the language in this Handbook and any benefit statement, the benefit statement will prevail. Like compensation, the Company can change benefits at any time.

- Group Insurance
- Holidays
- Jury Duty
- Bereavement Leave
- Family Medical Leave
- Military Leave
- Paid Leave
- Worker's Compensation

GROUP INSURANCE

The following group insurance benefits are offered to regular full-time employees:

- Health
- Dental (*if applicable*)
- Life

Regular part-time employees and temporary employees are not eligible for group insurance benefits.

Benefits will be effective on the first day of the month following the employee's completion of three full months of employment.

The Company reserves the right at all times to determine the benefit coverages and premium amounts to be paid by employees. Employees will be provided supplemental explanatory information, which will detail specific benefits, employee options and costs to be paid by the employee.

All regular full-time employees have the option to maintain family coverage for health insurance. If they elect to do so, the employee will pay the additional premium for the family coverage.

Coverage stops the last day of the month the employment terminates; however, employees may be eligible to continue coverage under the consolidated Omnibus Budget Reconciliation Act (COBRA) and/or applicable laws of the State of New Mexico. Information about this program will be sent to employee following employment termination.

HOLIDAYS

“Regular full-time” and “regular part-time” employees are entitled to paid holidays. Employees are entitled to paid holidays on a prorated basis comparable to their scheduled weekly hours with those scheduled for 40 hours receiving 100% of an 8 hour holiday. Holidays are paid if the holiday falls within the regular scheduled workweek. A schedule of holidays observed by the Company will be published annually.

Employees must be present or on paid leave the workday before and after the holiday to receive holiday pay.

If a holiday falls on the Employee's regularly scheduled day off, another day within the same pay period may be taken as a paid holiday with the approval of the supervisor.

If an employee works a regularly scheduled holiday he/she may, with supervisor approval, either be paid at the employee's overtime rate or may take another day off within the pay period. If the actual holiday falls on a Saturday or Sunday when the employee is regularly scheduled to work, the employee may not be required to work that day, but must make up the time-off within the same pay period to receive pay for the holiday.

If the work location closes early (less than ½ day) for a holiday, the employee must be working that day to receive the time off with pay. If the employee is not working due to paid leave, no holiday pay is allowed.

JURY DUTY

The Company recognizes its civic responsibility, therefore, employees called for jury duty will receive a maximum of one-week regular pay, less any amount paid by the court, or any witness fee received. Such time is not charged against accumulated paid time off. During such period, however, the employee is expected to report for work at all times when not serving on the jury or appearing in court.

The employee must provide the immediate supervisor with a copy of the court summons or subpoena at least one week prior to the scheduled court time. After you are excused from your deposition, jury duty, hearing or court, please furnish your supervisor with evidence of the time required. An employee must provide documentation of pay received from sources indicated above and furnish the supervisor with the time schedules during the period of service.

This benefit may not be available to parties to a lawsuit or other legal proceeding, depending upon the circumstances and as determined at the discretion of management. In those instances, use of accumulated paid leave may be required.

LEAVE

BEREAVEMENT LEAVE

An employee may be granted time off with pay to attend a funeral within the immediate household or family. Bereavement leave is limited to periods of up to three consecutive days and is separate and apart from "Paid Leave". In special situations, only a Corporate Officer may authorize additional time off.

For the purposes of administering this benefit, the Company considers the immediate family to be an employee's spouse, children (including step-children), parents, brothers, sisters, grandparents, mother-in-law, father-in-law, grandchildren, brothers-in-law or sisters-in-law. Employees requesting bereavement leave may be required to provide verification.

FAMILY AND MEDICAL LEAVE

The Company family and medical leave is available to employees with at least twelve (12) months of service and who have worked at least 1,250 hours within the preceding 12-month period. If eligible, an employee may be able to take up to 12 weeks of unpaid leave during a 12-month period for the following reasons:

- The birth of a child or to care for a child within the first 12 months after birth;
- The placement of a child with the employee for adoption or foster care and to bond with and care for the child (within the first 12 months of placement);
- To care for an immediate family member who has a serious health condition;
- For a serious health condition that makes the employee unable to perform the functions of his/her position; or
- If the employee experiences a qualifying exigency that arises out of the fact that a spouse, parent, or child has been called to or is on active duty in the Armed Forces.

Injured Servicemember Leave

An employee who is the spouse, parent, child, or next of kin of a member of the Armed Forces who was injured in the line of duty ("injured servicemember") may be eligible for up to 26 weeks of FMLA leave in a 12-month period, including the types of leave listed above.

Notice of Leave

When requesting leave, the employee must provide notice of the need for leave at least 30 days in advance or as soon as practicable.

Medical and other Certifications

Employees will be required to provide a medical certification if the leave request is: 1) for the employee's own serious health condition, 2) to care for a family member's serious health condition, or 3) military caregiver leave. Failure to provide the requested medical certification in a timely manner may result in denial of the leave until it is provided. If an employee refuses to provide a medical certification, his or her leave request may be denied and the employee may be disciplined.

The Company, at its expense, may require a medical examination by a health care provider of its own choosing if it has a reasonable question regarding the medical certification provided by the employee. In lieu of a second opinion, the Company may contact the health care provider directly to clarify or authenticate a medical certification, including certifications for military caregiver leave. Second opinions may not be required for military caregiver leave.

Separate certification may also be required regarding the nature of the family member's military service and/or the existence of a qualifying exigency.

Fitness for Duty Certifications

Because the Company wishes to ensure the well-being of all employees, any employee returning from FMLA leave for his/her own serious health condition will need to provide a Fitness for Duty (FFD) statement signed by his/her treating physician. Any employee who fails to provide an FFD statement will be prohibited from returning to work until it is provided. An employee who fails to provide an FFD certification may be disciplined or terminated.

Maintenance of Benefits

The Company will maintain health care benefits for the employee while on FMLA leave, but the employee is responsible for paying the normal monthly contribution. If the employee elects not to return to work at the end of the leave period, the employee will be required to reimburse the Company for the cost of premiums paid for maintaining coverage during the leave period. All other benefits cease to accrue during the unpaid portion of the leave.

Concurrent Leave

Employees must use any accumulated paid time off (PTO) to the extent available during FMLA leave unless such leave is covered under Workers' Compensation, in which case the employee may only use accumulated leave time only for the purpose of satisfying any waiting period. Absences in excess of these accumulated days will be treated as FMLA leave without pay.

Married Couples Who Work for the Company

If an employee and his/her spouse both work for the Company, they are both eligible for leave. The amount of leave allowed for the employee and the employee's spouse may be limited to a combined total of 12 weeks of FMLA leave in a 12-month period if the leave is taken for:

- The birth, adoption, or foster placement of a child;
- To care for and bond with such child who does not suffer from a serious health condition;
- To care for a parent with a serious health condition; or
- A combination of the above.

For injured servicemember leave, the employee and his/her spouse may be limited to a combined total of 26 weeks of leave in a 12-month period, including the types of leave listed above in this paragraph.

Intermittent Leave

It may be medically necessary for some employees to use intermittent FMLA leave. The Company will work with employees (and employees are required to work with the Company) to arrange reduced work schedules or leaves of absence in order to care for a family member's serious medical condition or due to the employee's own serious medical condition. Fitness for Duty statements are not required when an employee returns from intermittent FMLA leave. Leave because of the birth or adoption of a child must be completed within the 12-month period beginning on the date of birth or placement of the child. It may not be taken intermittently without special permission from Human Resources.

Return from Leave

Employees will be terminated when they have exhausted their FMLA leave unless they are entitled to additional leave as a reasonable accommodation under the Americans with Disabilities Act.

Attendance Policy

Qualifying FMLA leave will not be counted as an absence under the Company's attendance policy.

MILITARY LEAVE

Employees who are members of the National Guard or a reserve component of the Armed Forces will be granted Military Leave in accordance with the requirements of applicable state and federal laws. You may elect to utilize your accumulated paid leave

entitlement during your active duty period or take this time as a Military Leave of Absence without pay.

PAID LEAVE (vacation/illness/personal)

Paid leave is time off with pay, which may be taken for whatever purposes the employee may desire, subject to scheduling with the supervisor. The Company believes that we all benefit and generally do our jobs better if we have time away from work for rest and relaxation.

Regular full-time employees, that regularly work 40 hours per week, shall accrue paid leave at a rate of 4.93 hours per pay period (16 days per year) during the first 5 years of employment. On the 5th anniversary of employment, paid leave shall accrue at a rate of 6.47 hours per pay period (21 days per year). On the 10th anniversary of employment, paid leave shall accrue at a rate of 8.00 hours per pay period (26 days per year).

Regular full-time employees who work less than 40 hours per week will accrue paid leave on a pro-rata basis.

Except for illness or personal emergency, employees must submit a *Request for Paid Leave* (Form P-6) to your immediate supervisor in advance. For paid leave of a day or two, this form should be submitted to the supervisor at least one week preceding the first day off. For extended paid leave (more than three days), this form should be submitted at least three weeks preceding the first day off. Your supervisor is responsible for scheduling paid leave within your work group, and will try to accommodate your request as long as it does not adversely impact company operations.

Except in cases that a Request for Paid Leave has been approved, ALL employees must call their supervisor before 9:00 a.m. each day they are unable to report to work for any reason. Absenteeism without notification to a supervisor may result in your immediate dismissal.

ALL managers must call their supervisor if the property office will not be opened during scheduled hours. In the event your supervisor is not available, another supervisor must be notified.

An employee may borrow up to 16 hours against future accruals of paid leave.

A maximum of one (1) year of annual leave may be carried forward from one calendar year to the next. At year-end, any unused, accumulated paid leave over the maximum of one (1) year's accrued paid leave will be forfeited without compensation.

Extra pay in lieu of using annual leave will not be authorized.

Upon termination of employment with the Company for any reason, a maximum of two (2) weeks accrued paid leave will be added to the final paycheck. Any unearned (borrowed) paid leave will be deducted from the final paycheck subject to a minimum payment of the applicable minimum wage rate as specified in the Minimum Wage section.

WORKER'S COMPENSATION

As required by law, the Company maintains insurance covering medical care and possible reimbursement for lost wages under certain circumstances for injuries sustained on the job. This benefit is available to all employees, regardless of job category, immediately upon hire.

The Company will follow the procedures provided in the New Mexico Worker's Compensation Act for treatment and reporting injuries sustained on the job.

EMPLOYEE CONDUCT AND RESPONSIBILITIES

ABSENTEEISM

ALL employees must call their supervisor before 9:00 a.m. each day they are unable to report to work. Illness must be reported to your supervisor before 9:00 a.m. In the event your supervisor is not available, another supervisor must be notified. Absenteeism without notification to a supervisor may result in your immediate dismissal.

All managers must call their supervisor if the property office will not be opened during scheduled hours.

Your supervisor may make a note of any absence or lateness, and the reason, in your personnel file. Your attendance record may be considered when evaluating compensation, promotions, transfers, leaves of absence, and approved time off.

COMPANY PROPERTY

ELECTRONIC WORKPLACE POLICY

The Company uses electronic systems and Internet services for its business because they can make communication more efficient and effective and can be a valuable source of business information. All employees, however, must remember that electronic systems and Internet services are Company property and that their purpose is to facilitate and support Company business.

This policy applies to all electronic systems and services that are:

- accessed on or from Company premises;
- accessed using Company computer equipment, systems, or Company-paid access methods; or
- used in a manner that identifies the individual with the Company.

Electronic systems cannot be used for knowingly transmitting, displaying, retrieving, or storing any communication, information, or images that are:

- discriminatory or harassing;
- derogatory to any individual or group;
- obscene, vulgar, or profane;
- defamatory or threatening; or
- illegal or contrary to the Company's policies or business interests.

The Company provides electronic systems and Internet services for employees' business use. Limited, occasional, or incidental use of electronic systems and Internet services for personal business purposes during personal, nonwork time is permitted, provided it does not violate or interfere with the employees' job duties or the Company's policies, business interests, or any applicable law. Employees, however, are expected to demonstrate mature and professional judgment and responsibility and are expected not to abuse this privilege.

The Company reserves the right, at its discretion, to review any employee's electronic files, communications, e-mails, and Internet usage to the extent necessary to ensure electronic systems and Internet services are being used in compliance with the law and Company policies. Employees' electronic files, communications, e-mails, and Internet usage on the equipment, computers, systems, and services paid for and/or provided by the Company are not private or confidential. Accordingly, if you are transmitting, sending, receiving, storing, or otherwise working with information you deem private or confidential, you should choose other means and should not use the equipment, computers, systems, or services paid for and/or provided by the Company.

If an employee violates these rules or otherwise abuses the privilege of the Company's electronic or Internet systems or services, he/she will be subject to corrective action up to and including termination. If necessary, the Company also reserves the right to advise appropriate officials of any illegal activities.

HOUSEKEEPING

You are expected to keep your work area neat and orderly at all times. Please report anything that needs repairing or replacing to your supervisor immediately.

PERSONAL USE OF COMPANY PROPERTY

In some instances, employees may be allowed to borrow certain company owned tools or equipment for their own personal use. In no instance may equipment be used off the premises without prior written management approval. The Company is not liable for personal injury incurred during the use of company property for personal projects. You accept full responsibility for any and all liabilities for injuries or losses that occur when you use company property for personal use. You are responsible for returning the equipment or tools in good condition, and are required to pay for any damages that occur while using the equipment or tools for personal projects.

RETURN OF COMPANY PROPERTY

Any company property issued to you or taken by you, such as product samples, tools, keys, uniforms, portable phones, computers, beepers, cars or cash must be returned at

the time of your dismissal, resignation, or whenever your supervisor or a member of management requests it. Employees are responsible to pay for any lost or damaged items. The value of any company property not returned will be deducted from your paycheck.

USE OF COMPANY VEHICLES

If you are authorized to use a company owned vehicle for company business, you must adhere to the following rules: maintain a valid driver's license; maintain weekly mileage reports; pay any moving violation or parking tickets; keep the vehicle clean at all times, and washed and vacuumed as often as necessary; and do not permit unauthorized persons to operate or ride in a company vehicle.

CONFLICT OF INTEREST

For the purposes of this policy, a conflict of interest exists when an employee owes a professional obligation to Monarch Properties, Inc. the employer, which is or can be compromised by the pursuit of outside interests. Types of conflicts of interest that may exist include:

- Financial conflict - for example, an employee has a financial interest in a company that contracts a service or supplies to a property.

The purposes of this policy are to (1) enhance the integrity of Monarch Properties, Inc. and all employees, (2) enhance the quality in the procurement of supplies and services and (3) prevent a conflict of interest from harming Monarch Properties, Inc. and/or the employee.

Monarch employees shall not realize personal gain in any form, which improperly influences the conduct of their duties. They shall not knowingly use company property, funds, position, or power for personal or political gain, nor engage in any financial or personal activity, which may disadvantage the company. This applies to the procurement and disposition of all real property, equipment, supplies and services by a contractor and to the contractor's provision of assistance to individuals, businesses and other private entities.

Monarch employees who exercise any functions or responsibilities with respect to agency activities or who are in a position to participate in a decision making process may obtain a personal or financial interest or benefit from an agency activity, either for themselves or those with whom they have family or business ties, during their tenure or for one year there after.

Exceptions to the above policies may be allowed with the prior written approval of the Regional Supervisor with the prior written approval on a case by case basis only after the following has been provided:

A disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made.

CRIMINAL CONVICTIONS

Many of the job positions at the Company are security-sensitive positions. Our clients and the residents we serve expect honesty from our employees. Consequently, an employee is subject to disciplinary action up to and including termination of employment if convicted of a felony, or convicted of a misdemeanor involving dishonesty, theft or violence.

DRESS CODE/PERSONAL APPEARANCE

While it is the intent of the Company that all employees dress for their own comfort during work hours, the professional image of our Company is maintained, in part, by the image that our employees present to clients, residents, and other visitors.

Employees working in office areas should dress conservatively and professionally. Regular business dress is required. Suits, sport coats, dress shirts, ties, and slacks are the preferred dress for men. Suits, dresses, skirts and blouses, and pantsuits are the preferred dress for women. Skirts and dresses should be an appropriate professional length. Dress slacks also are acceptable. Blue jeans, t-shirts, sweat suits/pants and leggings are not appropriate office dress.

For those employees who do not have direct contact with the clients and or residents, dress should still be neat and clean and pose no safety hazard to themselves or others. On approved casual days, employees may dress in casual clothing, including blue jeans and t-shirts, although dress standards still require a neat, clean appearance. Employees meeting with clients and/or residents should wear appropriate business attire.

Employees working in maintenance areas may wear blue jeans and Monarch logo shirts as well as shorts should be an appropriate professional length. No open-toe shoes may be worn in the maintenance areas. Long hair must be tied back to ensure the employee's personal safety. Loose clothing or dangling jewelry that poses a safety hazard to employees also is prohibited.

Under no circumstances may employees wear halter tops, strapless tops, spaghetti straps, tank tops, cropped tops, clothing with offensive wording, clothing that shows undergarments (sheer), torn clothing, clothing with holes in it, or tight-fitting, revealing, or oversized clothing. All clothing must be clean, neat, and fit properly. Safe, neat, and clean shoes should be worn at all times, no flip flops.

Uniforms are provided for those employees whose jobs require the wearing of one. Uniformed employees must wear neat and clean uniforms at all times.

For all employees, professional appearance also means that the Company expects you to maintain good hygiene and grooming while working. Facial hair is permitted as long as it is neat and well trimmed. Rings through the nose, eyebrow, tongue, or body parts other than the ear lobe that are visible to the public may not be worn while working. All tattoos must be small in size or covered at all times and may not be offensive in nature. Employees are expected to be conservative in the wearing of makeup, scented products and hairstyles.

If employees require a reasonable accommodation regarding their dress for bona fide health and/or religious reasons, they should contact their supervisor or Human Resources to discuss an exception to the personal appearance guidelines. Unless it would constitute an undue hardship or safety hazard, the Company will accommodate such requests.

All employees should practice commonsense rules of neatness, good taste and comfort. Provocative clothing is prohibited. The Company reserves the right to determine appropriate dress at all times and in all circumstances and may send employees home to change clothes should it be determined their dress is not appropriate. Employees will not be compensated for this time away from work.

EMPLOYEE COMMUNICATIONS

Exit Interviews

In instances where you leave your employment, the Company may wish to discuss your reasons for leaving and/or any other impressions that you may have about the Company. During the exit interview, you can express yourself freely. It is hoped that this exit interview will help us facilitate an amicable separation, as well as provide insights into possible improvements we can make.

We Need Your Ideas

Often, the person doing a job is in the best position to think of ways of doing it more easily, efficiently, and effectively. Share your ideas and thoughts on how to improve efficiency on your job with your supervisor.

Resignation

While we hope that you will continue to enjoy and benefit from your employment with us, we realize that it may become necessary for you to leave your job. If you anticipate having to resign your position, we ask, but do not require, that you notify your supervisor at least two weeks in advance of the date you must leave. At its discretion, the Company may decide to make your last day of employment effective on an earlier date.

GIFTS

Advance approval from your supervisor is required before an employee may accept or solicit, for his or her personal benefit, a gift of any kind from a customer, supplier, or vendor representative. If you receive an unsolicited gift from a customer, vendor, or supplier, notify your supervisor immediately.

LICENSING REQUIREMENTS

You will be informed if there are any licensing requirements for your job. For instance, drivers, in certain work locations, may be required to meet licensing or insurance qualification. If you fail qualification or fail to maintain your license, there may be sufficient cause for removal from the position or termination of employment.

PERSONAL PHONE CALLS AND MAIL

Generally, employees are not permitted to use personal cell phones or pagers during working time. You must also keep personal phone calls to a minimum. They must not interfere with your work. You are permitted to make limited local calls on company or designated telephones for essential personal business, but are encouraged to do so during meal breaks or rest periods only. Emergency calls regarding illness or injury to family members, or calls for similar reasons may be made at any time. Incoming urgent calls will be directed to you. No unauthorized personal outgoing long distance calls are allowed.

Do not use your worksite for your personal mailing address, and do not put personal mail in the stacks that are to be run through the postage meter or stamped. Although the amount may seem small, it is still considered theft.

PERSONAL PROPERTY

The Company is not liable for the security, care, safety, loss or damage of any employee's personal property, vehicle or its contents.

SMOKE-FREE WORKPLACE

The company and properties under management are designated as smoke-free workplaces. Smoking is not permitted in company or managed offices or buildings, company vehicles, or in the presence of owners, residents or vendors.

STANDARDS OF CONDUCT

Occasionally it is necessary to discipline or even terminate employees. Disciplinary action or termination may be imposed when employees have violated company policies, have failed to perform their work as required or where, for other reasons, management determines that disciplinary action is appropriate or that continued employment is not in the interest of the company. The type of disciplinary action to be imposed is in management's discretion. In some instances disciplinary action short of termination may be imposed, such as informal counseling, written or verbal warning, probation or suspension from work. In other cases, management may deem it necessary to terminate an employee immediately.

Solicitations and Distributions

No solicitations of any kind, collection for any purpose, ticket or merchandise sales, or distribution of literature by non-employees are permitted at any time at the Company. Exceptions may be made in the case of charitable solicitations approved by Regional Vice President Jack MacGillivray in writing.

Employees are prohibited from soliciting or distributing literature to other employees during their working time or the working time of the person being solicited or receiving literature. Furthermore, employees are prohibited at all times from distributing literature in the working areas of the Company.

Areas which are not considered "working areas" and in which distribution of literature is permitted by employees include parking lots, break rooms or areas and restrooms. "Working time", as used in this rule, does not include break period and meal times or other specified periods during the work day when employees are not properly engaged in performing their work tasks. During such times, employees are free to engage in solicitations and distribution in areas where such activities are permitted.

The Company maintains bulletin boards throughout its facilities for the purpose of communicating with our employees. Postings on these boards are limited to company-related material, including statutory and legal notices, safety and disciplinary rules, company policies, memos of general interest relating to the company, local operating rules and other items. The bulletin boards are reserved for company use and no other postings will be permitted.

Confidentiality and Anti-Piracy

Acknowledgment of receipt of this Handbook includes compliance with an agreement between Employer and the employee to abide by the following *Confidentiality and Anti-Piracy* requirement.

Confidential Information is defined as any item that is valuable, special and unique property of the Company. Any unauthorized disclosure of the aforementioned by the employee will result in irreparable harm.

Confidential Information consists of proprietary information and information that is not generally available to the public and gives one who uses it a competitive advantage. Confidential Information may include methods, products, trade secrets, formulas, resources, databases, internal office structure, personnel, financial data, price lists, technical data and information, marketing, marketing research and practices, business plans, prospects, client/customer lists and personal or financial information concerning customers. Confidential information can be in any form and on any medium, whether written or otherwise tangible. Proprietary information can be information that the employee, acting alone or together with any other persons, may discover, create, develop or improve while employed with the Company.

1. Employee shall not, during the term of his or her employment or thereafter, disclose to others or use any confidential information belonging to the Company, or a customer or client of the company except as authorized in writing.
2. Employee acknowledges that a violation of this confidentiality agreement could result in action taken by the Company against the employee in order to compensate for damages in accordance with state law. This will include recovery of reasonable attorney's fees and costs.
3. This agreement will be binding on the employee individually and in his/her capacity as a partner, joint venture, employee, agent, consultant, officer, director, shareholder or other equity owner, or debtor or creditor of a corporation, associations or other entity.
4. If a court determines that any provisions or portion of a provision, of this Agreement is not enforceable for any reason, then the courts may strike from this Agreement the unenforceable phrase or language. All remaining portions of the Agreement will continue in full force and effect, and the Agreement will be interpreted as enforceable to the broadest extent possible, in order to adequately maintain confidentiality of the Company.

This agreement in no way alters the "at-will" employment status of the employee to the employer.

SUBSTANCE ABUSE

The Company is committed to providing a safe, healthy, and efficient working environment for all employees and those who do business with the Company as well as

protecting its reputation in the community. To help achieve this goal, employees are prohibited from:

- Possessing, distributing, selling, manufacturing, or being under the influence of any illegal drug;
- Consuming alcoholic beverages while on company premises, resident premises, in company vehicles, or while on company business or time unless specifically approved by Regional Vice President Jack MacGillivray; and
- Abusing inhalants or prescription drugs or possessing prescription drugs that have not been prescribed for the employee by a physician.

An employee who violates this policy is subject to corrective action up to and including termination of employment. Use of some drugs is detectable for several days. Detection of such drugs or the presence of alcohol will be considered being “under the influence.” Refusal to submit to a drug and/or alcohol screen is grounds for immediate termination or can be considered a “voluntary termination.”

Employees using prescription drugs according to a physician's instructions or using over-the counter drugs for medicinal purposes are required to notify the Human Resources Department regularly in the event such drugs would impair their physical, mental, emotional, or other faculties.

The Company's substance-abuse program includes several components to support its efforts to remain drug-free, including:

- Drug testing of all applicants;
- Drug testing after accidents involving injury and/or property damage;
- Drug testing when a supervisor suspects that an employee is “under the influence” during working hours; and
- Drug testing on a random basis.

All information relating to drug and/or alcohol screens is to be kept strictly confidential. The information will be kept in the employee's medical file, which will be maintained separately from the employee's personnel file. These medical files will be kept locked and secured and access will be limited to certain individuals in the Company. Under no circumstances should the results of a drug and/or alcohol screen be discussed with individuals who do not have a work-related need to know.

Employees involved in an accident or contributing to an accident or injury or damage to property or that requires medical attention away from the premises will be screened to determine whether the employee tests positive for drugs and/or alcohol.

If a supervisor suspects that an individual is at work and under the influence of alcohol and/or drugs, the supervisor should notify the Human Resources Department and/or an officer in the Company to seek authorization to test the employee. The supervisor will

be granted permission to test the employee if sufficient objective symptoms exist to indicate the employee may be under the influence of drugs and/or alcohol.

While the Company does not condone the abuse of alcohol, prescription drugs, and/or use of illegal drugs, the Company does recognize that addiction to drugs and/or alcohol can be treated. If an employee recognizes a personal addiction or abuse problem and seeks assistance from management in advance of detection, the Company will assist the employee in seeking treatment. The confidential nature of the employee's counseling and rehabilitation for drug and/or alcohol abuse will be preserved.

USE OF VEHICLES FOR COMPANY BUSINESS

If you are authorized to operate a company owned vehicle in the course of your employment, or if you operate your own vehicle in performing your job, you may be considered completely responsible for any accidents, fines, or traffic violations incurred. If you are involved in an accident, please take care of any medical emergencies immediately. Please fill out the accident report and get names of witnesses and any other relevant information. Report the accident to the police first, then to your supervisor.

If you operate your personal vehicle in performing your job, you must carry auto liability insurance on the vehicle.

VISITORS

Visitors are not permitted in areas not opened to the public without prior permission from your supervisor. If you are expecting visitors, request permission from your supervisor before giving your visitor access to areas that are not open to the public.

Upon occasion, visitors may appear on property that are clearly not looking for a place to live. This "business visitor" may be dressed in business clothes or good street clothing, may be asking questions which a normal resident applicant would not ask, or may be photographing the property. This type of visitor could possibly be an owner, investor, insurance agent, mortgagee representative, appraiser, attorney, investigator, etc. The purpose of the visit could be beneficial or adverse to the property's owners or to our management company, which is why WE MUST ASCERTAIN THE PURPOSE OF THE VISIT.

- ◆ As site staff performs their daily duties, they must be on the lookout for business visitors.
- ◆ Any staff member who meets a visitor should politely introduce himself/herself and politely ask the nature of his visit. Above all, staff should at all times be POLITE, PROFESSIONAL, AND COURTEOUS to all visitors.

- ◆ Staff members should turn the matter over to the Manager, or Assistant Manager, either by escorting the visitor to the office, or by having the Manager or Assistant Manager come outside to meet the visitor.
- ◆ The Manager or Assistant Manager should ask the visitor(s) for his/her business card.
- ◆ Ask for the reason for the visit, and what the visitor wants to see, learn, and/or accomplish.
- ◆ Remind the visitor of our company policy regarding visitors, and ask the visitor to wait while you advise your supervisor. Knowledgeable visitors will respect this policy and gladly comply.
- ◆ Call your supervisor; if your supervisor isn't in the office ask for other supervisory staff available. The supervisor will advise you on how to accommodate the visitor and how to proceed. If permission to proceed is granted, remember the following rules always apply....
 1. NEVER volunteer information that might be harmful to the Owners or to the Management Company.
 2. Never try to IMPRESS the visitor on how great you are. Just be factual and professional.
 3. If you don't know the answer to certain questions, or you feel uncomfortable answering certain questions, again call your supervisor for advice.
 4. Do not go into units where proper notice has not been given.
 5. Make a note of what questions the visitor asks and what portion of your community he/she visits.

ALWAYS report back to your supervisor after the visitor leaves your property.

WORKPLACE SAFETY

The Company is dedicated to providing a safe and healthy environment for all employees. At all times employees should be aware of maintaining and contributing to a safe work environment. Special precautions should always be taken in potentially hazardous working conditions including, but not limited to, lifting heavy objects, operating or working in the vicinity of heavy equipment, using ladders and sharp tools, and working with chemical products. Only equipment that is in safe operating condition

may be used in the performance of your duties. Follow established procedures at your location for requesting equipment repair or replacement.

You are expected to wear appropriate clothing to safely perform your assigned duties. If you do not have appropriate clothing or personal protective equipment, you must notify your Supervisor immediately so it can be provided.

All supplies must be stored in properly labeled original containers, except those that will be used in a single work shift.

If you are injured on the job, report it at once to your supervisor.

The Company relies on employees to promptly report any condition in the workplace that might pose a hazardous condition. Suggestions for improved safety measures are always encouraged.

In addition, all employees are required to strictly follow the Workplace Safety Program and Safety Rules provided in the Management Handbook on site. The company considers workplace safety as a vitally important aspect of the employment relationship. Any violations of this policy are considered serious and may result in termination.

EMPLOYEE HANDBOOK ACCEPTANCE

I acknowledge receipt of the Monarch Employee Handbook, which outlines the benefits, policies and procedures of the Company. I agree to familiarize myself with the information in the Handbook, to seek clarification from my Supervisor, if necessary. I understand and agree that this Handbook is intended as a guide of expectation and procedures. It is not a contract for employment other than at-will employment.

I understand and agree that my employment with Monarch Properties, Inc. is employment at-will, meaning that either the Company or the employee can terminate at any time, with or without cause. No one has the authority to alter this relationship, or employ anyone on a basis other than at-will employment except by a written agreement, signed by a Corporate Officer of the Company.

Print Name: _____

Employee Signature: _____

Date: _____

Witness/Supervisor: _____

GRIEVANCE FORM

Dear Employee:

The Company encourages employees to work with their immediate supervisor if an issue arises. However, this form is provided to facilitate communication with the Company should a grievance arise with which you desire upper management’s assistance.

Please describe your grievance in detail including dates and names of all persons involved. Attach additional pages if necessary.

Your Name (please print)

Property Name (where you work)

Grievance:

So that we may contact you, please list a phone number and the best time to reach you:

Signature

Date

Please mail or deliver to: Jack MacGillivray
 Monarch Properties, Inc.
 1720 Louisiana Blvd. NE, Suite 402
 Albuquerque, NM 87110

Please note that for inquires on routine administrative matters, such as questions concerning office hours, paycheck distributions and employee benefits, you should contact Monarch’s general business number (505) 260-4800 during office hours, Monday through Friday, 8:00 a.m. – 5:00 p.m. The Grievance Form should not be used for such inquiries.