

Welcome to the Monarch Air family! On behalf of your colleagues, we welcome you to Monarch Air and wish you every success here.

We believe that each employee contributes directly to Monarch Air's growth and success, and we hope you will take pride in being a member of our team.

This handbook was developed to provide guidance about the policies, programs, and benefits available to eligible employees. Employees should familiarize themselves with the contents of this employee handbook as soon as possible.

We at Monarch Air hope that your experience here will be challenging, enjoyable, and rewarding. Again, welcome!

INTRODUCTORY STATEMENT

This handbook is designed to acquaint you with Monarch Air and provide you with guidelines about working conditions, employee benefits, and some of the policies affecting your employment. You should read, understand, and comply with all provisions of the handbook. It describes many of your responsibilities as an employee and outlines the programs developed by Monarch Air to benefit employees. One of our objectives is to provide a work environment that is conducive to both personal and professional growth.

No employee handbook can anticipate every circumstance or question about policy. As Monarch Air continues to grow, the need may arise and Monarch Air reserves the right to revise, supplement, or rescind any policies or portion of the handbook from time to time as it deems appropriate, in its sole and absolute discretion. From time to time, you may receive updated information concerning changes to these policies. The only exception to any such changes is our employment-at-will policy permitting you or Monarch Air to end our relationship for any reason at any time.

EMPLOYEE ACKNOWLEDGEMENT FORM

The employee handbook describes important information about Monarch Air, and I understand that I should consult the Human Resource Manager regarding any questions not answered in the handbook.

I have entered into my employment relationship with Monarch Air voluntarily and acknowledge that there is no specified length of employment. Accordingly, either I or Monarch Air can terminate the relationship at will, with or without cause, at any time.

Since the information, policies, and benefits described here are necessarily subject to change, I acknowledge that revisions to the handbook may occur, except to Monarch Air's policy of employment-at-will. I understand that revised information may supersede, modify, or eliminate existing policies. Only the President or Vice-President of Monarch Air has the ability to adopt any revisions to the policies in this handbook.

Furthermore, I acknowledge that this handbook is neither a contract of employment nor a legal document. I have received the handbook, and I understand that it is my responsibility to read and comply with the policies contained in this handbook and any revisions made to it.

EMPLOYEE'S NAME (printed): _____

EMPLOYEE'S SIGNATURE: _____

DATE: _____

CUSTOMER RELATIONS

Customers are among Monarch Air's most valuable assets. Every employee represents Monarch Air to customers and the public. The way Monarch Air's employees do their jobs presents an image of the entire Monarch Air organization. Customers judge Monarch Air by how they are treated with each employee contact. Therefore, one of the first business priorities is to assist any customer or potential customer. Nothing is more important than being courteous, friendly, helpful, and prompt in the attention given to customers.

Customers who wish to lodge specific comments or complaints should be directed to the Executive Office for appropriate action. The personal contact with the public, manners on the telephone, and the communications with customers are a reflection of the professionalism of Monarch Air. Positive customer relations not only enhance the public's perception or image of Monarch Air, but also pay off in greater customer loyalty and increased sales and profit.

101. Nature of Employment

Employment with Monarch Air is voluntarily entered into, and the employee is free to resign at will at any time, with or without cause. Similarly, Monarch Air may terminate the employment relationship at will at any time, with or without notice or cause.

Policies set forth in this handbook are not intended to create a contract, nor are they to be construed to constitute contractual obligations of any kind or a contract of employment between Monarch Air and any of its employees. The provisions of the handbook have been developed at the discretion of management and, except for its policy of employment-at-will, may be amended or cancelled at any time, at Monarch Air's sole discretion.

These provisions supersede all existing policies and practices and may not be amended or added to without the express written approval of the President or Vice-President of Monarch Air.

102. Employee Relations

Monarch Air believes that the work conditions, wages, and benefits it offers to its employees are competitive with those offered by other employers in this area and in this industry. If employees have concerns about work conditions or compensation, they are strongly encouraged to voice these concerns openly and directly to their supervisors.

Our experience has shown that when employees deal openly and directly with supervisors, the work environment can be excellent, communications can be clear, and attitudes can be positive. We believe that Monarch Air amply demonstrates its commitment to employees by responding effectively to employee concerns.

103. Equal Employment Opportunity

In order to provide equal employment and advancement opportunities to all individuals, employment decisions at Monarch Air will be based on merit, qualifications, and abilities. Monarch Air does not discriminate in employment opportunities or practices on the basis of race, color, religion, sex, national origin, age, disability, or any other characteristic protected by law. This policy governs all aspects of employment, including selection, job assignment, compensation, promotion, leaves of absence, discipline, termination, and access to benefits and training.

Monarch Air has adopted a policy of "zero-tolerance" with respect to discrimination and employee harassment. In this connection, Monarch Air expressly also prohibits any form of employee harassment based on race, color, religion, sex, national origin, age, disability, genetic information, citizenship, status as a Vietnam-era, special disabled, or other covered veteran, or status in any group protected by state or local law. Improper interference with the ability of Monarch Air's employees to perform their expected job duties is not tolerated.

With respect to sexual harassment, Monarch Air prohibits the following:

1. Unwelcome sexual advances; requests for sexual favors; and all other verbal or physical conduct of a sexual or otherwise offensive nature, especially where:

- Submission to such conduct is made either explicitly or implicitly a term or condition of employment;
- Submission to or rejection of such conduct is used as the basis for decisions affecting an individual's employment; or

- Such conduct has the purpose or effect of creating an intimidating, hostile, or offensive working environment.

2. Offensive comments, jokes, innuendos, and other sexually oriented statements.

Examples of the types of conduct expressly prohibited by this policy include, but are not limited to, the following:

- Touching, such as rubbing or massaging someone's neck or shoulders, stroking someone's hair, or brushing against another's body.
- Sexually suggestive touching.
- Grabbing, groping, kissing, fondling.
- Violating someone's "personal space."
- Offensive whistling.
- Lewd, off-color, sexually oriented comments or jokes.
- Foul or obscene language.
- Leering, staring, stalking.
- Suggestive or sexually explicit posters, calendars, photographs, graffiti, cartoons.
- Unwanted or offensive letters or poems.
- Sitting or gesturing sexually.
- Sexual, racial or otherwise offensive E-mail or voice-mail messages.
- Sexually oriented or explicit remarks, including written or oral references to sexual conduct, gossip regarding one's sex life, body, sexual activities, deficiencies, or prowess.
- Questions about one's sex life or experiences.
- Repeated requests for dates.
- Sexual favors in return for employment rewards, or threats if sexual favors are not provided.
- Sexual assault or rape.
- Any other conduct or behavior deemed inappropriate by Monarch Air.

Complaint Procedure

Each member of management is responsible for creating an atmosphere free of discrimination and harassment, sexual or otherwise. Further, employees are responsible for respecting the rights of their coworkers.

If you experience any job-related discrimination or harassment based on your sex, race, national origin, disability, or another factor, or believe that you have been treated in an unlawful, discriminatory manner, promptly report the incident to your supervisor or your department or division head. This policy applies to all incidents of alleged harassment, including those which occur off-premises, or off-hours, where the alleged offender is a supervisor, coworker, or even a nonemployee with whom the employee is involved, directly or indirectly, in a business or potential business relationship.

Should the alleged harassment occur at a time other than your normal business hours, your complaint should be filed as early as practicable on the first business day following the alleged incident.

Please understand that Monarch Air takes complaints of discrimination and harassment very seriously. Thus, there is no need to follow any formal chain of command when filing a complaint when discussing or expressing any issue of concern regarding alleged discrimination or harassment, and you may bypass anyone in your direct chain of command and file your complaint or discuss or express any issue of concern with the Human Resource Manager at any time. Monarch Air officials will undertake an investigation of any complaints.

All employees have a duty to report any conduct which they believe violates this policy. In addition, every

employee has a duty to cooperate with any investigation conducted by Monarch Air, regardless of whether the investigation is being conducted Monarch Air officials or outside parties retained by Monarch Air for this purpose.

If Monarch Air determines that an employee is guilty of discrimination against or harassing another individual, appropriate disciplinary action will be taken against the offending employee, up to and including an unpaid suspension or termination of employment.

Monarch Air prohibits any form of retaliation against any employee for reporting a violation of this policy, filing a complaint under this policy, or for assisting in a complaint investigation. However, if, after investigating any complaint of harassment or discrimination, Monarch Air determines that the complaint is frivolous and was not made in good faith or that an employee has provided false information regarding the complaint, disciplinary action may be taken against the individual who filed the complaint or who gave the false information, up to and including an unpaid suspension or termination.

104. Individuals With Disabilities

Monarch Air complies with the Americans With Disabilities Act and applicable state and local laws providing for nondiscrimination in employment against qualified individuals with disabilities. Monarch Air also provides reasonable accommodation for such individuals in accordance with these laws. It is Monarch Air's policy to, without limitation:

1. Ensure that qualified individuals with disabilities are treated in a nondiscriminatory manner in the preemployment process and that employees with disabilities are treated in a nondiscriminatory manner in all terms, conditions, and privileges of employment.
2. Administer medical examinations, such as second-medical opinion or fitness-for-duty exams, (a) to applicants only after conditional offers of employment have been extended, and (b) to employees only when justified by business necessity or as part of Monarch Air's voluntary annual physical examination program.
3. Keep all medical-related information confidential in accordance with the requirements of the ADA and retain such information in separate confidential files.
4. Provide applicants and employees with disabilities with reasonable accommodation, except where such an accommodation would create an undue hardship on Monarch Air.
5. Notify individuals with disabilities that Monarch Air provides reasonable accommodation to qualified individuals with disabilities, by including this policy in Monarch Air's employee handbook and in its corporate policies and procedures manual and by posting the Equal Employment Opportunity Commission's poster with respect to not discriminating against individuals with disabilities and other protected groups conspicuously throughout Monarch Air's facilities.

Procedure for Requesting an Accommodation

Qualified individuals with disabilities may make requests for reasonable accommodation to Monarch Air's Human Resource Manager. On receipt of an accommodation request, the Human Resource Manager will meet with the requesting individual to engage in an interactive assessment with the employee and discuss and identify the precise limitations resulting from the disability and the potential accommodation that Monarch Air might make to help overcome those limitations.

The Human Resource Manager, in conjunction with the Executive Office, and, if necessary, appropriate management representatives identified as having a need to know (e.g., the individual's supervisor/department head), will determine the feasibility of the requested accommodation, considering various factors, including, but not limited to, the nature and cost of the accommodation, the availability of tax credits and deductions, outside funding, the facility's overall financial resources and organization, and

the accommodation's impact on the operation of the facility, including its impact on the ability of other employees to perform their essential job functions and on the facility's ability to conduct business. The Human Resource Manager will inform the employee of Monarch Air's decision on the accommodation request or on how to make the accommodation.

105. Immigration Law Compliance

In compliance with the Immigration Reform and Control Act of 1986, as a condition of employment, each new employee 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 Monarch Air deems it necessary.

Employees with questions or seeking more information on immigration law issues are encouraged to contact the Human Resource Manager. Employees may raise questions or complaints about immigration law compliance without fear of reprisal.

106. Outside Employment

Employees may hold outside jobs as long as they meet the performance standards of their job with Monarch Air. All employees will be judged by the same performance standards and will be subject to Monarch Air's scheduling demands, regardless of any existing outside work requirements.

If Monarch Air determines that an employee's outside work interferes with performance or the ability to meet the requirements of Monarch Air as they are modified from time to time, the employee may be asked to terminate the outside employment if he or she wishes to remain employed with Monarch Air.

Outside employment that constitutes a conflict of interest is prohibited. Employees may not receive any income or material gain from individuals outside Monarch Air for materials produced or services rendered while performing their jobs at Monarch Air.

201. Employment Categories

It is the intent of Monarch Air to clarify the definitions of employment classifications so that employees understand their employment status and benefit eligibility. These classifications do not guarantee employment for any specified period of time. Accordingly, the right to terminate the employment relationship at will at any time is retained by both the employee and Monarch Air.

REGULAR FULL-TIME employees are those who are not in a temporary or introductory status and who are regularly scheduled to work Monarch Air's full-time schedule. Generally, they are eligible for Monarch Air's benefit package, subject to the terms, conditions, and limitations of each benefit program.

PART-TIME REGULAR EMPLOYEES. Employees hired to work fewer than thirty-five hours per week on a regular basis. Such employees may also be "exempt" or "nonexempt" from overtime pay requirements as defined below.

TEMPORARY employees are those engaged to work full time or part time on Monarch Air's payroll with the understanding that their employment will be terminated no later than on completion of a specific assignment. (Note that a temporary employee may be offered and may accept a new temporary assignment with Monarch Air and thus still retain temporary status.) Such employees may also be "exempt" or "nonexempt" from overtime pay requirements as defined above. (Note that employees hired from temporary employment agencies for specific assignments are employees of the respective agency and not of Monarch Air.)

INTRODUCTORY employees are those whose performance is being evaluated to determine whether further employment in a specific position or with Monarch Air is appropriate. Employees who satisfactorily complete the introductory period will be notified of their new employment classification.

In addition to the above categories, each employee will belong to one other employment category:

Each employee is designated as either **NONEXEMPT** or **EXEMPT** from federal and state wage and hour laws. **NONEXEMPT** employees are entitled to be paid overtime pay under the specific provisions of federal and state wage and hour laws. **EXEMPT** employees are not entitled to be paid overtime pay under the specific provisions of federal and state wage and hour laws. An employee's **EXEMPT** or **NONEXEMPT** classification may be changed only upon written notification by Monarch Air management.

202. Employment Reference Checks

To ensure that individuals who join Monarch Air are well qualified and have a strong potential to be productive and successful, it is the policy of Monarch Air to check the employment references of all applicants.

The Human Resource Manager will respond in writing only to those reference check inquiries that are submitted in writing. Responses to such inquiries will confirm only dates of employment, wage rates, and position(s) held. No employment data will be released without a written authorization and release signed by the individual who is the subject of the inquiry.

203. Personal Data Changes

To ensure that each employee's personnel file is up to date at all times, it is the responsibility of each

employee to promptly notify Monarch Air of any changes in personal information. Personal home and mailing addresses, telephone numbers, number and names of dependents, individuals to be contacted in the event of an emergency, beneficiary designations, educational accomplishments, and other such status reports should be accurate and current at all times. If any personal information has changed, notify the Human Resource Manager.

204. Introductory Period

The introductory period is intended to give new employees the opportunity to demonstrate their ability to achieve a satisfactory level of performance and to determine whether the new position meets their expectations. Monarch Air uses this period to evaluate employee capabilities, work habits, and overall performance.

All new and rehired employees work on an introductory basis for the first 90 calendar days after their date of hire. Any significant absence will automatically extend an introductory period by the length of the absence. If Monarch Air determines that the designated introductory period does not allow sufficient time to thoroughly evaluate the employee's performance, the introductory period may be extended for a specified period.

Upon satisfactory completion of the introductory period, employees enter the "regular" employment classification.

During the introductory period, new employees are eligible for those benefits that are required by law. They may also be eligible for other Monarch Air-provided benefits, subject to the terms and conditions of each benefits program. Employees should read the information for each specific benefits program for the details on eligibility requirements.

205. Employment Applications

Monarch Air relies upon the accuracy of information contained in the employment application, as well as the accuracy of other data provided throughout the hiring process and employment. Any misrepresentations, falsifications, or material omissions in any of this information or data may result in the exclusion of the individual from further consideration for employment or, if the person has been hired, termination of the person's employment with Monarch Air. In processing employment applications, Monarch Air may obtain a consumer credit report for employment purposes only concerning credit worthiness, credit standing, and credit capacity.

206. Performance Evaluation

Supervisors and employees are strongly encouraged to discuss job performance and goals on an informal, day-to-day basis. A formal written performance evaluation will be conducted at the end of an employee's initial period of hire, known as the introductory period. Additional formal performance evaluations are conducted on an ongoing 12 month cycle, with some departments conducting evaluations annually in January and some departments conducting evaluations annually on the employee's anniversary date. These evaluations are conducted in order to provide both supervisors and employees the opportunity to discuss job tasks, identify and correct weaknesses, encourage and recognize strengths, and discuss positive, purposeful approaches for meeting goals.

Merit-based pay adjustments are awarded by Monarch Air in an effort to recognize truly superior employee performance. The decision to award such an adjustment is dependent upon numerous factors, including but not limited to the information documented by this formal performance evaluation process.

207. Job Descriptions

Monarch Air makes every effort to create and maintain accurate job descriptions for all positions within Monarch Air. Each description includes a job information section, a job summary section (giving a general overview of the job's purpose), an essential duties and responsibilities section, a supervisory responsibilities section, a qualifications section (including education and/or experience, language skills, mathematical skills, reasoning ability, and any certification required), a physical demands section, and a work environment section.

Monarch Air prepares and maintains job descriptions to identify the essential functions and requirements for each position and to aid in orienting new employees to their jobs, establishing hiring criteria, setting standards for employee performance evaluations, and establishing a basis for making reasonable accommodations for individuals with disabilities. Existing job descriptions are also reviewed and revised periodically in order to ensure that they are up to date and reflect any changes in the position's duties and responsibilities. Job descriptions do not necessarily cover every task or duty that might be assigned, and that additional responsibilities may be assigned as deemed necessary by management. Contact the Human Resource Manager if you have any questions or concerns about your job description.

208. Salary Administration

The salary administration program at Monarch Air was created to achieve consistent pay practices, comply with federal and state laws, mirror our commitment to Equal Employment Opportunity, and offer competitive salaries within our labor market. Because recruiting and retaining talented employees is critical to our success, Monarch Air is committed to paying its employees equitable wages that reflect the requirements and responsibilities of their positions and are comparable to the pay received by similarly situated employees in other organizations in the area.

Monarch Air periodically reviews its salary administration program and restructures it as necessary. Merit-based pay adjustments may be awarded in conjunction with superior employee performance documented by the performance evaluation process. Incentive bonuses may be awarded depending on the overall profitability of Monarch Air and based on each employee's individual contributions to Monarch Air.

Employees should bring their pay-related questions or concerns to the attention of their immediate supervisors. The Human Resource Manager is also available to answer specific questions about the salary administration program.

301. Employee Benefits

Eligible employees at Monarch Air are provided a wide range of benefits. A number of the programs (such as Social Security and unemployment insurance) cover all employees in the manner prescribed by law.

Benefits eligibility is dependent upon a variety of factors, including employee classification. Supervisors can identify the programs for which employees are eligible. Details of many of these programs can be found elsewhere in this handbook.

Some benefit programs require contributions from the employee and others may be fully paid by Monarch Air.

302. Vacation Benefits

Regular full-time employees are eligible to earn and use vacation time as described in this policy. Vacation time off with pay is available to eligible employees to provide opportunities for rest, relaxation, and personal pursuits.

After employment with Monarch Air for a period of one (1) year, the employee is entitled to five (5) days of paid vacation. After employment with Monarch Air for a period of two (2) years, the employee is entitled to ten (10) days of paid vacation each year. For the period of time that an employee has been employed at least one year, but less than two years, the employee accrues and earns paid vacation time at a rate of 5/12 (0.42) of a day each full month of employment. Once an employee has been employed for at least two years, the employee accrues and earns paid vacation time at the rate of 5/6 (0.83) of a day each full month of employment. Employees may request use of vacation time after it is earned.

Paid vacation time can be used in minimum increments of one-half ($\frac{1}{2}$) day. To take vacation, employees should request advance approval from their supervisors. Requests will be reviewed based on a number of factors, including business needs and staffing requirements.

Vacation time off is paid at the employee's base pay rate at the time of vacation. It does not include overtime or any special forms of compensation such as incentives, commissions, bonuses, or shift differentials.

In the event that a Holiday observed by Monarch Air falls within a scheduled vacation period, an alternate day of vacation will be granted at a later date.

Employees are required to take their earned vacation during the year that it is earned. In the event that accrued vacation is not used by the end of the year in which it is earned, the accrued, unused time will be forfeited. No payments will be made in lieu of taking vacation.

303. Holidays

Monarch Air will grant paid time off to all regular full-time employees on the holidays listed below:

- * New Year's Day (January 1)
- * Memorial Day (last Monday in May)
- * Independence Day (July 4)
- * Labor Day (first Monday in September)

- * Thanksgiving (fourth Thursday in November)
- * Christmas (December 25)

Holiday pay will be calculated based on the employee's straight-time pay rate (as of the date of the holiday) times the number of hours the employee would otherwise have worked on that day.

To be eligible for holiday pay, employees must work the last scheduled day immediately preceding and the first scheduled day immediately following the holiday.

Eligible nonexempt employees who work on a recognized holiday will be paid one and one-half times their regular hourly rate of pay for all hours actually worked on the holiday.

Paid time off for holidays is not counted as hours worked for the purposes of calculating overtime compensation.

304. Sick Leave Benefits

Monarch Air provides paid sick leave benefits to all regular full-time employees for periods of temporary absence due to illnesses or injuries.

Eligible employees will accrue sick leave benefits at the rate of 5 days per year (.42 of a day for every full month of employment). Sick leave benefits are calculated on the basis of a "benefit year," the 12-month period that begins on January 1 and ends on December 31.

Paid sick leave can be used in minimum increments of one hour. An eligible employee may use sick leave benefits for an absence due to his or her own illness or injury, or that of a child, parent, or spouse of the employee.

Employees who are unable to report to work due to illness or injury should notify the Human Resource Manager before the scheduled start of their workday if possible. The Human Resource Manager must also be contacted on each additional day of absence.

If an employee is absent for three or more consecutive days due to illness or injury, a physician's statement must be provided verifying the disability and its beginning and expected ending dates. Such verification may be requested for other sick leave absences as well and may be required as a condition to receiving sick leave benefits.

Sick leave benefits will be calculated based on the employee's base pay rate at the time of absence and will not include any special forms of compensation, such as incentives, commissions, bonuses, or shift differentials.

Unused sick leave benefits will be allowed to accumulate until the employee has accrued a maximum of 5 calendar days worth of sick leave benefits. If the employee's benefits reach this maximum, further accrual of sick leave benefits will be suspended until the employee has reduced the balance below the limit. At no time will the employee accumulate more than five calendar days worth of sick leave benefits.

Sick leave benefits are intended solely to provide income protection in the event of illness or injury, and may not be used for any other absence. No payments will be made in lieu of taking sick leave. Unused sick leave benefits will not be paid to employees for any reason during employment or upon termination of employment.

305. Jury Duty

Monarch Air continues the salary of regular full-time employees who are summoned to jury duty for up to a maximum of 5 working days per calendar year. Jury duty pay will be calculated on the employee's base pay rate times the number of hours the employee would otherwise have worked on the day of absence. Employees are also permitted to retain the allowance received from the court for such service. All employees who are not a regular full-time employees are given time off without pay while serving jury duty.

All employees are allowed time off if summoned to appear in court as a witness. Nonexempt employees may use accrued vacation time during this period or take the time off without pay. Exempt staff members will be paid their normal salaries during any workweek in which they appear as a witness or juror and also perform services for Monarch Air, regardless of the amount of time spent performing those services.

To qualify for jury or witness duty leave, employees must submit to the Human Resource Manager a copy of the summons to serve as soon as it is received. In addition, proof of service must be submitted to the employee's supervisor when the period of jury or witness duty is completed.

If employees are required to serve jury duty beyond the period of paid jury duty leave, they may use any available paid time off (for example, vacation benefits) or may request an unpaid jury duty leave of absence.

Employees are expected to report for work whenever the court schedule permits.

Either Monarch Air or the employee may request an excuse from jury duty if, in Monarch Air's judgment, the employee's absence would create serious operational difficulties.

Monarch Air will continue to provide health insurance benefits for the full term of the jury duty absence and vacation, sick leave, and holiday benefits will continue to accrue during jury duty leave.

306. Military Leaves of Absence

Leaves of absence without pay for military or Reserve duty are granted to full-time regular employees. If an employee is called to active military duty or to Reserve or National Guard training, or if an employee volunteers for the same, the employee should notify their supervisor and submit copies of their military orders to him or her as soon as is practicable. The employee will be granted a military leave of absence without pay for the period of military service, in accordance with applicable federal and state laws. If an employee is a reservist or a member of the National Guard, the employee is granted time off without pay for required military training. Eligibility for reinstatement after military duty or training is completed is determined in accordance with applicable federal and state laws.

307. Benefits Continuation (COBRA)

The federal Consolidated Omnibus Budget Reconciliation Act (COBRA) gives employees and their qualified beneficiaries the opportunity to continue health insurance coverage under Monarch Air's health plan when a "qualifying event" would normally result in the loss of eligibility. Some common qualifying events are resignation, termination of employment, or death of an employee; a reduction in an employee's

hours or a leave of absence; an employee's divorce or legal separation; and a dependent child no longer meeting eligibility requirements.

Under COBRA, the employee or beneficiary pays the full cost of coverage at Monarch Air's group rates plus an administration fee. Monarch Air provides each eligible employee with a written notice describing rights granted under COBRA when the employee becomes eligible for coverage under Monarch Air's health insurance plan. The notice contains important information about the employee's rights and obligations.

308. Health Insurance

Monarch Air's health insurance plan provides regular full-time employees and their dependents access to medical, dental, and vision insurance benefits.

Eligible employees may participate in the health insurance plan subject to all terms and conditions of the agreement between Monarch Air and the insurance carrier.

Details of the health insurance plan are described in the Summary Plan Description (SPD). An SPD and information on cost of coverage will be provided in advance of enrollment to eligible employees. Contact the Human Resource Manager for more information about health insurance benefits.

309. Family And Medical Leave

Monarch Air will comply with the Family and Medical Leave Act implementing Regulations as revised effective January 16, 2009. Monarch Air posts the mandatory FMLA Notice and upon hire, provides all new employees with notices required by the U.S. Department of Labor on Employee Rights and Responsibilities under the Family and Medical Leave Act.

The function of this policy is to provide employees with a general description of their FMLA rights. In the event of any conflict between this policy and the applicable law, employees will be afforded all rights required by law.

If you have any questions, concerns or disputes with this policy, you must contact the Human Resource Manager.

Under this policy, Monarch Air will grant up to 12 weeks (or up to 26 weeks of military care giver leave to care for a covered service member with a serious injury or illness) during a 12-month period to eligible employees. The leave may be paid, unpaid or a combination of paid and unpaid leave, depending on the circumstances of the leave and as specified in this policy.

Eligibility for FMLA Leave

Employees are eligible for FMLA leave if they:

1. Have worked for Monarch Air for at least 12 months in the last 7 years;
2. Have worked at least 1,250 hours for Monarch Air during the 12 calendar months immediately preceding the request for leave; *and*
3. Are employed at a work site that has 50 or more employees within a 75-mile radius.

Employees with any questions about their eligibility for FMLA leave should contact the Human Resource Department for more information.

Basic FMLA Leave

Employees who meet the eligibility requirements described above are eligible to take up to 12 weeks of unpaid leave during any 12-month period for one of the following reasons:

1. To care for the employee's son or daughter during the first 12 months following birth;
2. To care for a child during the first 12 months following placement with the employee for adoption or foster care;
3. To care for a spouse, son, daughter, or parent ("covered relation") with a serious health condition;
4. For incapacity due to the employee's pregnancy, prenatal medical or child birth; *or*
5. Because of the employee's own serious health condition that renders the employee unable to perform an essential function of his or her position.

Married Couples. In cases where a married couple is employed by the same company, the two spouses together may take a *combined total* of 12 weeks' leave during any 12-month period for reasons 1 and 2, or to care for the same individual pursuant to reason 3.

Military Family Leave

There are two types of Military Family Leave available.

1. *Qualifying exigency leave.* Employees meeting the eligibility requirements described above may be entitled to use up to 12 weeks of their Basic FMLA Leave entitlement to address certain qualifying exigencies. Leave may be used if the employee's spouse, son, or daughter, is on active or called to active duty status in the National Guard or Reserves in support of a contingency operation. Qualifying exigencies may include:

- Short-notice deployment (up to 7 days of leave)
- Attending certain military events
- Arranging for alternative childcare
- Addressing certain financial and legal arrangements
- Periods of rest and recuperation for the servicemember (up to 5 days of leave)
- Attending certain counseling sessions
- Attending post-deployment activities (available for up to 90 days after the termination of the covered servicemember's active duty status)
- Other activities arising out of the servicemember's active duty or call to active duty and agreed upon by Monarch Air and the employee

2. *Leave to care for a covered servicemember.* There is also a special leave entitlement that permits employees who meet the eligibility requirements for FMLA leave to take up to 26 weeks of leave to care for a covered servicemember during a single 12-month period. A covered servicemember is a current member of the Armed Forces, including a member of the National Guard or Reserves, who has been rendered medically unfit to perform his or her duties due to a serious injury or illness incurred in the line of duty while on active duty that may render the servicemember medically unfit to perform his or her duties for which the servicemember is undergoing medical treatment, recuperation, or therapy; or is in outpatient status; or is on the temporary disability retired list.

When both husband and wife work for the same employer, the aggregate amount of leave that can be taken by the husband and wife to care for a covered servicemember is 26 weeks in a single 12-month period.

Use of leave

An employee does not need to use this leave entitlement in one block. Leave can be taken intermittently

or on a reduced leave schedule when medically necessary. Employees must make reasonable efforts to schedule leave for planned medical treatment so as not to unduly disrupt the employer's operations. Military Family Leave due to qualifying exigencies may also be taken on an intermittent basis. Leave may not be taken on an intermittent basis when used to care for the employee's own child during the first year following birth, or to care for a child placed with the employee for foster care or adoption, unless both the employer and employee agree to such intermittent leave.

Pay, Benefits, and Protections During FMLA Leave

Leave is unpaid. Family medical leave is unpaid leave (although employees may be eligible for short- or long-term disability payments and/or workers compensation benefits under those insurance plans) if leave is taken because of an employee's own serious health condition (although employees may be eligible for short- or long-term disability payments and/or worker's compensation benefits under those insurance plans.)

Substitution of paid time off for unpaid leave. If an employee does not choose to substitute accrued paid leave, the employer may require the employee to substitute accrued paid leave for unpaid FMLA leave, as determined by the terms and conditions of the employer's normal leave policy.

If an employee requests leave because of the birth, adoption, or foster care placement of a child, any accrued paid vacation, personal leave, or family leave, first will be substituted for any unpaid family/medical leave.

If an employee requests leave because of the employee's own serious health condition, or to care for a covered relation with a serious health condition, any accrued paid vacation, personal leave, family or medical/sick leave, first will be substituted for any unpaid family/medical leave.

The substitution of paid leave time for unpaid leave time does not extend the 12-week leave period. Furthermore, in no case can the substitution of paid leave time for unpaid leave time result in the receipt of more than 100 percent of an employee's salary. An employee's family medical leave runs concurrently with other types of leave, i.e., paid vacation, paid sick leave.

For leave taken for a qualifying exigency, an employee may elect or the employer may require substitution of paid personal, vacation, or family leave time for unpaid FMLA leave. The same rules apply as if the employee took FMLA leave to care for a family member with a serious health condition or the birth or placement of a child.

For leave to care for a seriously injured or ill family member in the military, an employee may substitute paid personal, vacation, family leave, sick, or medical leave time for unpaid FMLA leave. The same rules apply as if the employee took leave for his or her own serious health condition. The employer will not provide paid sick or paid medical leave in any situation in which the employer would not normally provide any such paid leave.

Medical and other benefits. During an approved family medical leave, Monarch Air will maintain the employee's health benefits as if the employee continued to be actively employed. If paid leave is substituted for unpaid family medical leave, Monarch Air will deduct the employee's portion of the health plan premium as a regular payroll deduction. If leave is unpaid, the employee must pay his or her portion of the premium.

An employee's healthcare coverage will cease if the employee's premium payment is more than 30 days late. If the payment is more than 15 days late, Monarch Air will send the employee a letter to this effect.

If Monarch Air does not receive the co-payment within 15 days after the date of that letter, the employee's coverage may cease. If the employee elects not to return to work for at least 30 calendar days at the end of the leave period, the employee will be required to reimburse Monarch Air for the cost of the premiums paid by Monarch Air for maintaining coverage during the unpaid leave, unless the employee cannot return to work because of a serious health condition or other circumstances beyond the employee's control.

During FMLA leave, the employer must maintain the employee's health coverage under any "group health plan" on the same terms as if the employee had continued to work. Use of FMLA leave will not result in the loss of any employment benefit that accrued prior to the start of the employee's leave.

Return to job at end of FMLA leave. Upon return from FMLA, leave, most employees must be restored to their original or equivalent positions with equivalent pay, benefits, and other employment terms.

Employee Responsibilities When Requesting FMLA Leave

If the need to use FMLA leave is foreseeable, the employee must give Monarch Air at least 30 days prior notice of the need to take leave. When 30 days' notice is not possible, the employee must give notice as soon as practicable (within 1 or 2 business days of learning of the need for leave except in extraordinary circumstances). Failure to provide such notice may be grounds for delaying the start of the FMLA leave.

Whenever possible, requests for FMLA leave should be submitted to the Human Resource Department using the Request for Family/Medical Leave form available from the Human Resource Department.

When submitting a request for leave, the employee must provide sufficient information for Monarch Air to determine if the leave might qualify as FMLA leave, and also provide information on the anticipated date when the leave would start as well as the duration of the leave. Sufficient information may include that the employee is unable to perform job functions, that a family member is unable to perform daily activities; that the employee or family members needs hospitalization or continuing treatment by a healthcare provider; or the circumstances supporting the need for military family leave. Employees also must inform Monarch Air if the requested leave is for a reason for which FMLA leave was previously taken or certified. Employees also will be required to provide a certification and periodic recertification supporting the need for leave.

Employer Responsibilities

When an employee requests leave, Monarch Air will inform the employee whether he or she is eligible under the FMLA. If the employee is, the employee will be given a written notice that includes details on any additional information he or she will be required to provide. If the employee is not eligible under the FMLA, Monarch Air will provide the employee with a written notice indicating the reason for ineligibility.

If leave will be designated as FMLA-protected, Monarch Air will inform the employee in writing and provide information on the amount of leave that will be counted against the employee's 12 or 26 week entitlement.

Medical Certification

If the employee is requesting leave because of the employee's own or a covered relation's serious health condition, the employee and the relevant healthcare provider must supply appropriate medical certification. Employees may obtain Medical Certification forms from the Human Resource Department. When the employee requests leave, Monarch Air will notify the employee of the requirement for medical certification and when it is due (no more than 15 days after you request leave). If the employee provides at least 30 days' notice of medical leave, he or she should also provide the medical certification before leave begins.

Failure to provide requested medical certification in a timely manner may result in denial of leave until it is provided. Monarch Air, at its expense, may require an examination by a second healthcare provider designated by Monarch Air, if it reasonably doubts the medical certification initially provided. If the second healthcare provider's opinion conflicts with the original medical certification, Monarch Air, at its expense, may require a third, mutually agreeable, healthcare provider to conduct an examination and provide a final and binding opinion.

Monarch Air may require subsequent medical recertification. Failure to provide certification within 15 days, except in extraordinary circumstances, may result in the delay of further leave until it is provided.

Reporting While on Leave

If an employee takes leave because of the employee's own serious health condition or to care for a covered relation, the employee must contact Monarch Air on the first and third Tuesday of each month regarding the status of the condition and his or her intention to return to work. In addition, the employee must give notice as soon as practicable (within 2 business days, if feasible) if the dates of the leave change, are extended, or were unknown initially.

Intermittent and Reduced-Schedule Leave

Leave because of a serious health condition, or either type of family military leave may be taken intermittently (in separate blocks of time due to a single health condition) or on a reduced-schedule leave (reducing the usual number of hours worked per workweek or workday) if medically necessary. If leave is unpaid, Monarch Air will reduce the employee's salary based on the amount of time actually worked. In addition, while an employee is on an intermittent or reduced-schedule leave, Monarch Air may temporarily transfer the employee to an available alternative position that better accommodates the recurring leave and which has equivalent pay and benefits.

401. Timekeeping

It is the policy of Monarch Air to comply with applicable federal and state laws that require records to be maintained of the hours worked by its employees. To ensure that accurate records are kept, Monarch Air requires every employee to record all time worked and all absences on Monarch Air's official time record form. This form should be completed daily and provided to Monarch Air on a weekly basis.

Nonexempt employees should accurately record the time they begin and end their work, as well as the beginning and ending time of each meal period. They should also record the beginning and ending time of any split shift or departure from work for personal reasons. Overtime work must always be approved by the employee's supervisor **before** it is performed. Nonexempt employees should report to work no more than 5 minutes prior to their scheduled starting time nor stay more than 5 minutes after their scheduled stop time without express, prior authorization from their supervisor.

Altering, falsifying, tampering with time records, or recording time on another employee's time record may result in disciplinary action, up to and including termination of employment.

402. Work Schedules

Work schedules for employees vary throughout our organization. Supervisors will advise employees of their individual work schedules. Staffing needs and operational demands may necessitate variations in starting and ending times, as well as variations in the total hours that may be scheduled each day and week.

403. Paydays

All employees are paid weekly every Friday. Each paycheck will include earnings for all work performed through the end of the previous payroll period.

In the event that a regularly scheduled payday falls on a day off such as a weekend or holiday, employees will receive pay on the last day of work before the regularly scheduled payday.

404. Pay Deductions

The law requires that Monarch Air make certain deductions from every employee's compensation. Among these are applicable federal, state, and local income taxes. Monarch Air also must deduct Social Security taxes on each employee's earnings up to a specified limit that is called the Social Security "wage base." Monarch Air matches the amount of Social Security taxes paid by each employee.

Monarch Air offers programs and benefits beyond those required by law. Eligible employees may voluntarily authorize deductions from their paychecks to cover the costs of participation in these programs.

If you have questions concerning why deductions were made from your paycheck or how they were calculated, your supervisor can assist in answering your questions.

405. Overtime

If classified as a regular full time nonexempt employee (see the classifications of employment policy section for the definition of nonexempt employee), employees will receive compensation for approved overtime work as follows:

1. Employees will be paid at straight time (i.e., the employee's regular hourly rate of pay) for all hours actually worked up to forty (40) hours in any given workweek. (Note: Monarch Air's workweek runs from 12:01 a.m. Sundays through midnight the following Saturday.)
2. Employees will be paid one and one-half times the employee's regular hourly rate of pay for all hours actually worked beyond the fortieth (40) hour in any given workweek.
3. Employees will be paid one and one-half times the employee's regular hourly rate of pay for all hours actually worked on a Monarch Air-observed holiday as holiday pay.
4. Time off on sick leave, vacation leave, or any leave of absence will not be considered hours worked for purposes of performing overtime calculations.

Supervisors will attempt to provide employees with reasonable notice when the need for overtime work arises. Please remember, however, that advance notice may not always be possible.

Occasionally, mandatory overtime will be necessary for reasons including, but not limited to, enabling your department to fulfill production or contract requirements or otherwise meet the demands of the business. All employees will be expected to work such mandatory overtime hours as required.

Employees will normally receive payment for overtime in the pay period following the period in which such overtime is worked, provided that the employee's time record form has been properly prepared, approved by his/her supervisor, and forwarded to payroll for processing in a timely manner.

All overtime work must receive the supervisor's prior authorization. Overtime assignments will be distributed as equitably as practical to all employees qualified to perform the required work.

Employees who work overtime without receiving prior authorization from the supervisor may be subject to disciplinary action, up to and including possible termination of employment.

406. Rest and Meal Periods

Each workday, full-time nonexempt employees are provided with 2 rest periods of 15 minutes in length. The rest periods start at 1000 and 1500 each day. To the extent possible, rest periods will be provided in the middle of work periods. Since this time is counted and paid as time worked, employees must not be absent from their workstations beyond the allotted rest period time.

All full-time regular employees are provided with one meal period of 60 minutes in length each workday. Supervisors will schedule meal periods to accommodate operating requirements. Employees will be relieved of all active responsibilities and restrictions during meal periods and will not be compensated for that time.

407. Emergency Closings

At times, emergencies such as severe weather, winter storms, fires, power failures, can disrupt company operations. In extreme cases, these circumstances may require the closing of a work facility.

When operations are officially closed due to emergency conditions, the time off from scheduled work will be paid, up to a maximum of five (5) days per year. Any additional time off for closing of the facility due to

emergency conditions will be unpaid.

501. Safety

Monarch Air is committed to providing a safe and healthful working environment. In furtherance of this goal, implementation of a safety policy is a top priority for Monarch Air. In this connection, Monarch Air makes every effort to comply with relevant federal and state occupational health and safety laws and to develop the best feasible operations, procedures, technologies, and programs conducive to such an environment.

Monarch Air's policy is aimed at minimizing the exposure of our employees, customers, and other visitors to our facilities to health or safety risks. To accomplish this objective, all Monarch Air employees are expected to work diligently to maintain safe and healthful working conditions and to adhere to proper operating practices and procedures designed to prevent injuries and illnesses, as the success of Monarch Air's safety policy depends on the alertness and personal commitment of all.

The responsibilities of all employees of Monarch Air in this regard include:

1. Exercising maximum care and good judgment at all times to prevent accidents and injuries;
2. Reporting to supervisors and seeking first aid for all injuries, regardless of how minor;
3. Reporting unsafe conditions, equipment, or practices to supervisory personnel;
4. Using safety equipment provided by Monarch Air at all times;
5. Observing conscientiously all safety rules and regulations at all times; and
6. Notifying their supervisors, before the beginning of the workday, of any medication they are taking that may cause drowsiness or other side effects that could lead to injury to them and their coworkers.

Those with ideas, concerns, or suggestions for improved safety in the workplace are encouraged to raise them with their supervisor or with another supervisor or manager. Reports and concerns about workplace safety issues may be made anonymously if the employee wishes. All reports can be made without fear of reprisal.

Monarch Air provides information to employees about workplace safety and health issues through regular internal communication channels such as supervisor-employee meetings, bulletin board postings, memos, or other written communications.

In the case of accidents that result in injury, regardless of how insignificant the injury may appear, employees should immediately notify the Human Resource Manager or the appropriate supervisor. Such reports are necessary to comply with laws and initiate insurance procedures.

502. Electronic and Telephonic Communications

All electronic and telephonic communication systems and all communications and information transmitted by, received from, or stored in these systems are the property of Monarch Air and as such are to be used solely for job-related purposes. The use of any software and business equipment, including, but not limited to, facsimiles, telecopiers, computers, Monarch Air's E-mail system, the Internet, Blackberrys or other wireless devices, instant messaging systems, and copy machines for private purposes is strictly prohibited.

Employees using this equipment for personal purposes do so at their own risk. Further, employees are not permitted to use a code, access a file, or retrieve any stored communication unless authorized to do so or unless they have received prior clearance from an authorized Monarch Air representative. All pass codes are the property of Monarch Air. No employee may use a pass code or voice-mail access code that has not been issued to that employee or that is unknown to Monarch Air without authorization. Moreover,

improper use of the e-mail system (e.g., transmitting or spreading sexually, racially, or other discriminatory or harassing jokes or remarks, abusive or profane language, threatening others, etc.), including via the Internet or any other equipment, will not be tolerated.

To ensure that the use of electronic and telephonic communications systems and business equipment is consistent with Monarch Air's legitimate business interests, authorized representatives of Monarch Air may monitor the use of such equipment from time to time. This includes monitoring Internet usage of any kind. This may also include listening to stored voice-mail messages.

Personal use of the telephone for long-distance and toll calls is not permitted. Employees should practice discretion when making local personal calls and may be required to reimburse Monarch Air for any charges resulting from their personal use of the telephone. To ensure effective telephone communications with customers and clients, employees should always use the approved greeting and speak in a courteous and professional manner. Please confirm information received from the caller, and hang up only after the caller has done so. Personal cell phone usage is limited to breaks and lunch time periods only. Additionally, cell phone calls should never be answered while on duty.

Monarch Air provides access to the Internet. The Internet represents a useful tool for Monarch Air in conducting its business, but like any other tool, it must be used properly. For purposes of this policy, Internet includes any public electronic data communications network.

Internet E-mail offers broadly similar capabilities to other Company E-mail systems, except that correspondents are external to Monarch Air. External E-mail messages may carry one or more attachments. An attachment may be any kind of computer file, such as a word processing document, spreadsheet, software program, or graphic image.

Just as Monarch Air has an official Internet Web site, so do other organizations. Most public Web sites are "read only," meaning that they permit a person who visits the site to read material posted on the Web site but not to leave a message. Other Web sites permit visitors to establish continuing contact by leaving a message (the electronic equivalent of leaving your business card or a telephone message). The owner or operator of a Web site may record the information that a connection was made from Monarch Air.

As a general rule, employees may not forward, distribute, or incorporate into another work, material retrieved from a Web site or other external system. Very limited or "fair use" may be permitted in certain circumstances. Any employee desiring to reproduce or store the contents of a screen or Web site should contact the legal department to ascertain whether the intended use is permissible.

Use of the World Wide Web includes all restrictions which apply generally to the use of Monarch Air's E-mail and other electronic and telephonic equipment, as noted above. In addition, the following rules apply with respect to Internet usage:

1. *No Browsing of Restricted-Content Web Sites:* Monarch Air has blocked access to Web sites which contain pornographic material. However, the World Wide Web changes on a daily basis. In this connection, users who find new sites which Monarch Air has not yet blocked are required to report such sites to the appropriate individuals in Monarch Air's Technology Department.
2. *No Downloading of Non-Business Related Data:* Monarch Air allows the download of files from the Internet. However, downloading files should be limited to those which relate directly to Company business.
3. *No Downloading of Application Programs:* Monarch Air does not permit the download or installation on Company computers of application software from the Internet. Such software may not only contain embedded viruses, but also is untested and may interfere with the functioning of standard Company applications.

This prohibition applies to commercial, shareware and free software. Moreover, illegal or “bootlegged” software cannot be placed on any computer under any circumstances. Employees are also prohibited from making copies of any software contained on any computer. Any request for an additional copy of a program must be directed to the IT Manager.

4. *No Participation in Web-based Surveys Without Authorization:* When using the Internet, the user implicitly involves Monarch Air in his/her expression. Therefore, users should not participate in Web or E-mail based surveys or interviews without authorization.

5. *No Use of Subscription-based Services Without Prior Approval:* Some Internet sites require that users subscribe before being able to use them. Users should not subscribe to such services without the express approval of management.

6. *No Violation of Copyright:* Many of the materials on the Internet are protected by copyright. Even though they may seem to be freely accessible, many of the intellectual property laws which apply to print media still apply to software and material published on the Internet. Employees are permitted to print out Web pages and to download material from the Internet for informational purposes as long as the purpose for such copying falls into the category of “fair use.” Please do not copy or disseminate material which is copyrighted. Employees having any questions regarding such materials should contact the legal department for guidance.

7. *No Blogging:* Employees are prohibited from using company systems and equipment for blogging, i.e., keeping online journals that chronicle various aspects of the blogger’s life, such as problems on the job, issues in their personal life, politics, their favorite TV shows, etc. Prohibited by this policy is spending time on the job writing one’s own blogs, reading those created by others, or otherwise making disparaging or derogatory comments or remarks about Monarch Air, or any of its current or former directors, officers, or employees at any time.

8. *No Transmission of Data:* Data that is composed, transmitted, accessed, or received via the Internet must not contain content that could be considered discriminatory, offensive, obscene, threatening, harassing, intimidating, or disruptive to any employee or other person.

9. *Remote Access:* If users are provided with a remote access facility, they must not log-in to a remote access service from a public internet access device (e.g., airport computer terminal, or Internet cafe). This is due to the possibility of sensitive information being monitored by video or computer surveillance in public areas.

Employees are further prohibited from taking any action designed to degrade or harm the performance of any computer or the network. Such action includes installing viruses, Trojan horses or other invasive software, destroying data, disrupting the computing progress, “hacking” the system, or the unauthorized use of a password.

REPORTING OBLIGATIONS

Users must notify IT when:

- (a) sensitive or confidential information is lost, disclosed to unauthorized parties or suspected of being lost or disclosed to unauthorized parties;
- (b) unauthorized use of Computing Resources has taken place or is suspected of taking place;
- (c) passwords or other system access control mechanisms are lost, stolen, or disclosed, or are suspected of being lost, stolen or disclosed; or
- (d) there is any unusual systems behavior, such as missing files, frequent system crashes or misrouted messages.

Finally, employees are prohibited from reading, modifying, copying, or deleting files of others without permission.

As a condition of employment and continued employment, employees are required to sign an E-mail and voice-mail acknowledgment form (see sample form following this policy statement). Applicants are

required to sign this form on acceptance of an employment offer by Monarch Air.

Abuse of the Internet access provided by Monarch Air in violation of law or Monarch Air policies will result in disciplinary action, up to and including termination of employment. Employees may also be held personally liable for any violations of this policy.

The following behaviors are examples of previously stated or additional actions and activities that are prohibited and can result in disciplinary action:

- * Sending or posting discriminatory, harassing, or threatening messages or images
- * Using Monarch Air's time and resources for personal gain
- * Stealing, using, or disclosing someone else's code or password without authorization
- * Sending or posting confidential material, trade secrets, or proprietary information outside of Monarch Air
- * Violating copyright law
- * Engaging in unauthorized transactions that may incur a cost to Monarch Air or initiate unwanted Internet services and transmissions
- * Sending or posting messages or material that could damage Monarch Air's image or reputation
- * Participating in the viewing or exchange of pornography or obscene materials
- * Sending or posting messages that defame or slander other individuals
- * Attempting to break into the computer system of another organization or person
- * Refusing to cooperate with a security investigation
- * Sending or posting chain letters, solicitations, or advertisements not related to business purposes or activities
- * Using the Internet for political causes or activities, religious activities, or any sort of gambling
- * Jeopardizing the security of Monarch Air's electronic communications systems
- * Sending or posting messages that disparage another organization's products or services
- * Passing off personal views as representing those of Monarch Air
- * Sending anonymous email messages
- * Engaging in any other illegal activities

503. Smoking

In keeping with Monarch Air's intent to provide a safe and healthful work environment, smoking in the building is prohibited. Employees, customers, and visitors who wish to smoke must do so outside of the building. Smoking is not permitted on the ramp areas. This policy applies equally to all.

504. Use of Equipment and Vehicles

Equipment and vehicles essential in accomplishing job duties are expensive and may be difficult to replace. When using Monarch Air property, employees are expected to exercise care, perform required maintenance, and follow all operating instructions, safety standards, and guidelines.

Please notify the supervisor if any equipment, machines, tools, or vehicles appear to be damaged, defective, or in need of repair. Prompt reporting of damages, defects, and the need for repairs could prevent deterioration of equipment and possible injury to employees or others. The supervisor can answer any questions about an employee's responsibility for maintenance and care of equipment or vehicles used on the job.

The improper, careless, negligent, destructive, or unsafe use or operation of equipment or vehicles, as

well as excessive or avoidable traffic and parking violations, can result in disciplinary action, up to and including termination of employment.

505. Business Travel Expenses

Monarch Air will reimburse employees for reasonable business travel expenses incurred while on assignments away from the normal work location. All business travel expenses must be approved by the Controller before reimbursement will be made.

Employees whose travel plans have been approved are responsible for making their own travel arrangements.

When approved, the actual, reasonable costs of travel, meals, lodging, and other expenses directly related to accomplishing business travel objectives will be reimbursed by Monarch Air. Employees are required to limit expenses to reasonable amounts in order to receive reimbursement.

Expenses that generally will be reimbursed include the following:

- * Airfare or train fare for travel in coach or economy class or the lowest available fare.
- * Car rental fees, only for compact or mid-sized cars.
- * Fares for shuttle or airport bus service, where available; costs of public transportation for other ground travel.
- * Taxi fares, only when there is no less expensive alternative.
- * Cost of standard accommodations in low to mid-priced hotels, motels, or similar lodgings.
- * Cost of meals, at no more than \$15.00 per meal.
- * Tips not exceeding 15% of the total cost of a meal or 10% of a taxi fare.
- * Charges for telephone calls, fax, and similar services required for business purposes.

Employees who are involved in an accident while traveling on business must promptly report the incident to their immediate supervisor. Vehicles owned, leased, or rented by Monarch Air may not be used for personal use without prior approval.

Cash advances to cover reasonable anticipated expenses may be made to employees, after travel has been approved. Employees should submit a written request to their supervisor when travel advances are needed.

When travel is completed, employees should submit completed travel expense reports within 10 days. Reports should be accompanied by receipts for all individual expenses.

Employees should contact their supervisor for guidance and assistance on procedures related to travel arrangements, travel advances, expense reports, reimbursement for specific expenses, or any other business travel issues.

Abuse of this business travel expenses policy, including falsifying expense reports to reflect costs not incurred by the employee, can be grounds for disciplinary action, up to and including termination of employment.

506. Visitors in the Workplace

To provide for the safety and security of employees and the facilities at Monarch Air, only authorized visitors are allowed in the workplace. Restricting unauthorized visitors helps maintain safety standards, protects against theft, ensures security of equipment, protects confidential information, safeguards employee welfare, and avoids potential distractions and disturbances.

All visitors should enter Monarch Air at the main entrance. Authorized visitors will receive directions or be escorted to their destination. Employees are responsible for the conduct and safety of their visitors.

If an unauthorized individual is observed on Monarch Air's premises, employees should immediately notify their supervisor or, if necessary, direct the individual to the main entrance.

507. Workplace Monitoring

To safeguard the property of our employees, our customers, and Monarch Air, and to help prevent the possession, sale, and use of illegal drugs on Monarch Air's premises, in keeping with the spirit and intent of Monarch Air's drug-free workplace policy, Monarch Air reserves the right to question employees and all other persons entering and leaving our premises, and to inspect any packages, parcels, purses, handbags, briefcases, lunchboxes, or any other possessions or articles carried to and from Monarch Air's property. In addition, Monarch Air reserves the right to search any employee's office, desk, files, locker, or any other area or article on our premises. Computers furnished to employees are the property of Monarch Air. As such, computer usage and files may be monitored or accessed. In this connection, it should be noted that all offices, desks, files, lockers, and so forth, are the property of Monarch Air and are issued for the use of employees only during their employment with Monarch Air. Inspections may be conducted at any time at the discretion of Monarch Air.

Persons entering the premises who refuse to cooperate in an inspection conducted pursuant to this policy will not be permitted to enter the premises. Employees working on or entering or leaving the premises who refuse to cooperate in an inspection, as well as employees who after the inspection are believed to be in possession of stolen property or illegal drugs, will be sent immediately to the human resource department and be subject to disciplinary action up to and including an unpaid suspension or termination if on investigation they are found to be in violation of Monarch Air's security procedures or any other Monarch Air rules and regulations.

Monarch Air also reserves the right to observe employees throughout Monarch Air's premises, either by way of direct observation or through the use of electronic devices. Monarch Air may install video cameras to monitor reception areas, work areas and/or other generally open areas where employees may be seen by others. Therefore, employees should have no expectation of privacy in the workplace, with the exception of restrooms and changing areas.

508. Taping/Eavesdropping on Conversations

It is the policy of the Monarch Air to encourage open communications among our employees and between employees and management. To facilitate such open communications, and to prevent the chilling effect that may occur if employees are permitted to tape or secretly record or surreptitiously listen in on any conversation or communication, and to ensure compliance with applicable federal, state, and local wiretapping, eavesdropping, and privacy laws, Monarch Air has instituted the following policy:

Without the prior written authorization of Monarch Air's Chief Legal or Chief Human Resource Manager, no employee may openly or secretly tape or otherwise surreptitiously record, or videotape, any

conversation, communication, activity, or event. This prohibition applies to any conversation, communication, activity, or event which in any way involves Monarch Air or employees of Monarch Air, or any customers or clients, or any other individual with whom Monarch Air is doing business or intending to do business in any capacity (for example, vendors, suppliers, consultants, attorneys, independent contractors). This policy also applies to conversations and communications with any other third parties unrelated to Monarch Air including, but not limited to, outside legal counsel, auditors and regulatory officials.

"Taping" and "Recording" under this policy includes the taping or recording of any conversation or communication, regardless of whether the conversation or communication is taking place in person, over the telephone, or via any other communications device or equipment, and regardless of the method used to tape or record (e.g., as with a tape recorder, video recorder, mechanical recording, or wiretapping equipment), and regardless of where the conversation or communication takes place, i.e. whether on or off Monarch Air's premises.

"Taping" and "Recording" as used in this policy does not include any lawful taping and recording engaged in by an employee on the employee's own time, with the employee's own equipment, away from Monarch Air's place of business, and which does not involve in any manner whatsoever, directly or indirectly, the business or activities of Monarch Air, or any of its employees.

No employee may eavesdrop on the conversations or communications of other employees or non-employees in accordance with the same standards set forth above.

From time to time Monarch Air may tape, record, videotape, or otherwise monitor conversations or other communications between employees and/or between employees and nonemployees for legitimate business purposes, such as customer service training, to protect the integrity of certain business transactions (for example, sales orders taken over the telephone). Generally, employees will be notified when such taping or recording occurs, in accordance with applicable laws and sound employee relations principles. Under certain circumstances, however, notice may not be given, such as where Monarch Air is conducting an investigation into allegedly unlawful or unethical activities, in conjunction with regulatory or other enforcement authorities.

Violations of this policy may result in disciplinary action against the offending employee(s), up to and including an unpaid suspension or termination. Where the conduct engaged in is illegal, violators may also be subject to prosecution under applicable federal, state, or local laws.

If any employee has any questions or concerns regarding whether any contemplated taping or recording would violate this policy, he or she should discuss the matter with the Chief Legal or Chief Human Resource Manager, before engaging in any such activities.

(For information regarding Monarch Air's policy with respect to E-mail, voice-mail, and other telephonic communications, please consult Monarch Air's E-mail/Voice-mail Policy set forth elsewhere in this handbook).

509. Workplace Violence Prevention

Monarch Air is concerned about the increased violence in society, which has also filtered into many workplaces throughout the United States, and has taken steps to help prevent incidents of violence from occurring at Monarch Air. In this connection, it is the policy of Monarch Air to expressly prohibit any acts or threats of violence by any Monarch Air employee or former employee against any other employee in or

about Monarch Air's facilities or elsewhere at any time. Monarch Air also will not condone any acts or threats of violence against Monarch Air's employees, customers, or visitors on Monarch Air's premises at any time or while they are engaged in business with or on behalf of Monarch Air, on or off Monarch Air's premises.

In keeping with the spirit and intent of this policy, and to ensure that Monarch Air's objectives in this regard are attained, it is the commitment of Monarch Air:

1. To provide a safe and healthful work environment, in accordance with Monarch Air's safety and health policy.
2. To take prompt remedial action up to and including an unpaid suspension or termination, against any employee who engages in any threatening behavior or acts of violence or who uses any obscene, abusive, or threatening language or gestures.
3. To take appropriate action when dealing with customers, former employees, or visitors to Monarch Air's facilities who engage in such behavior. Such action may include notifying the police or other law enforcement personnel and prosecuting violators of this policy to the maximum extent of the law.
4. To prohibit the possession, use or sale of weapons, firearms or explosives on Company property, while operating Company machinery, equipment or vehicles for work-related purposes or while engaged in Company business off premises, except where expressly authorized by Monarch Air and permitted by state and local laws. This policy applies to all employees, including, but not limited to, those who have a valid permit to carry a firearm.
5. To establish viable security measures to ensure that Monarch Air's facilities are safe and secure to the maximum extent possible and to properly handle access to company facilities by the public, off-duty employees, and former employees.

In furtherance of this policy, employees have a "duty to warn" their supervisors, security personnel, or Human Resource Manager of any suspicious workplace activity or situations or incidents that they observe or that they are aware of that involve other employees, former employees, customers, or visitors and that appear problematic. This includes, for example, threats or acts of violence, aggressive behavior, offensive acts, threatening or offensive comments or remarks, and the like. Employee reports made pursuant to this policy will be held in confidence to the maximum possible extent. Monarch Air will not condone any form of retaliation against any employee for making a report under this policy.

601. Drug and Alcohol Use - DrugFree Workplace

It is Monarch Air's policy to create and provide a drug-free, healthful, and safe workplace in keeping with the spirit and intent of the Drug-Free Workplace Act of 1988. The use of controlled substances is inconsistent with the behavior expected of employees, subjects all employees and visitors to our facilities to unacceptable safety risks, and undermines Monarch Air's ability to operate effectively and efficiently. In keeping with this policy, Monarch Air employees are required to report to work in appropriate mental and physical condition to perform their jobs in a satisfactory manner.

While on Monarch Air premises, in Monarch Air vehicles, or while conducting business-related activities off Monarch Air premises, no employee may manufacture, use, possess, distribute, dispense, sell, or be under the influence of alcohol or illegal drugs. The legal use of prescribed drugs is permitted on the job only if it does not impair an employee's ability to perform the essential functions of the job effectively and in a safe manner that does not endanger other individuals in the workplace. Such conduct is also prohibited during nonworking time to the extent that in the opinion of Monarch Air, it impairs an employee's ability to perform on the job or threatens the reputation or integrity of Monarch Air.

Violation of this policy may lead to disciplinary action, up to and including immediate termination of employment. Such violations may also have legal consequences.

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. If an employee is discharged for violation of this policy, he/she will not be eligible for rehire. Employees using prescription drugs according to a physician's instructions or using over-the-counter drugs for medicinal purposes should, in the event such drugs would impair their physical, mental emotional, or other faculties, notify the Human Resource Manager.

Monarch Air's prohibition of drug and alcohol in the workplace includes several components to support its efforts to remain drug-free, including:

- ◆ drug testing of all applicants;
- ◆ drug testing for accidents involving injury and/or property damage;
- ◆ drug testing when it is suspected 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 strictly confidential. The information will be kept in each 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 Monarch Air. Under no circumstances should the results of a drug and/or alcohol screen be discussed with individuals that do not have a work-related need to know.

If employees are involved in an accident requiring medical attention away from the premises, they will be screened to determine whether they test 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 Resource Manager and/or an officer in Monarch Air to seek authorization to test the employee. The employee will be tested if sufficient objective symptoms exist to indicate the employee may be under the influence of drugs and/or alcohol.

While Monarch Air does not condone the abuse of alcohol, prescription drugs, and/or use of illegal drugs, Monarch Air 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 the Human Resource

Manager in advance of detection, Monarch Air 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.

Employees convicted of controlled substance-related violations in the workplace, including pleas of nolo contendere (i.e., no contest), must inform Monarch Air within 5 days of such conviction or plea. Employees who violate any aspect of this policy may be subject to disciplinary action up to and including an unpaid suspension or termination. At its discretion, Monarch Air may require employees who violate this policy to successfully complete a drug abuse assistance or rehabilitation program and undergo random periodic drug screens as a condition of continued employment.

Employees with questions on this policy or issues related to drug or alcohol use in the workplace should raise their concerns with their supervisor or the Human Resource Manager without fear of reprisal.

701. Guidelines for Appropriate Conduct

As an integral member of the Monarch Air team, employees are expected to accept certain responsibilities, adhere to acceptable business principles in matters of personal conduct, and exhibit a high degree of personal integrity at all times. This not only involves sincere respect for the rights and feelings of others but also demands that both in business and in your personal life employees refrain from any behavior that might be harmful to the employee, to coworkers, and/or to Monarch Air, or that might be viewed unfavorably by current or potential customers or by the public at large.

Whether on or off duty, employees conduct reflects on Monarch Air. Employees are, consequently, encouraged to observe the highest standards of professionalism at all times.

Listed below are some of the rules and regulations of Monarch Air. This list should not be viewed as being all-inclusive. Types of behavior and conduct that Monarch Air considers inappropriate and which could lead to disciplinary action up to and including an unpaid suspension or termination of employment without prior warning, at the sole discretion of Monarch Air, include, but are not limited to, the following:

1. Falsifying timekeeping, employment or other Monarch Air records;
2. Violating Monarch Air's nondiscrimination and/or sexual harassment policy;
3. Soliciting or accepting gratuities from customers or clients;
4. Excessive absenteeism or tardiness or absence without notice;
5. Engaging in excessive, unnecessary, or unauthorized use of Monarch Air's supplies, particularly for personal purposes;
6. Reporting to work or working under the influence of alcohol or nonprescribed drugs;
7. Possession, distribution, sale, transfer, or use of alcohol or illegal drugs in the workplace, while on duty, or while operating employer-owned vehicles or equipment;
8. Boisterous or disruptive conduct in the workplace;
9. Threatening violence, fighting, using obscene, abusive, or threatening language or gestures in the workplace;
10. Theft or inappropriate removal or possession of property from coworkers, customers, or clients or Monarch Air;
11. Having unauthorized firearms, explosives or other weapons on Monarch Air premises or while on Monarch Air business;
12. Disregarding safety or security regulations;
13. Negligence or improper conduct leading to damage of employer-owned or customer-owned property;
14. Smoking in prohibited areas;
15. Unauthorized use of telephones, computers, mail system, or other Monarch Air equipment;

16. Engaging in insubordination or disrespectful conduct;
17. Unsatisfactory performance or conduct
18. Failing to maintain the confidentiality of Monarch Air, customer, or client information.
19. Violation of personnel policies
20. Engaging in off-duty misconduct that reflects negatively on Monarch Air, or causes or has the potential to cause harm to Monarch Air or its reputation

If an employee's performance, work habits, overall attitude, conduct, or demeanor becomes unsatisfactory in the judgment of Monarch Air, based on violations either of the above or of any other Monarch Air policies, rules, or regulations, the employee will be subject to disciplinary action, up to and including an unpaid suspension or termination of employment. Employment with Monarch Air is at the mutual consent of Monarch Air and the employee, and either party may terminate that relationship at any time, with or without cause, and with or without advance notice.

702. Workplace Etiquette

Monarch Air strives to maintain a positive work environment where employees treat each other with respect and courtesy. Sometimes issues arise when employees are unaware that their behavior in the workplace may be disruptive or annoying to others. Many of these day-to-day issues can be addressed by politely talking with a co-worker to bring the perceived problem to his or her attention. In most cases, common sense will dictate an appropriate resolution. Monarch Air encourages all employees to keep an open mind and graciously accept constructive feedback or a request to change behavior that may be affecting another employee's ability to concentrate and be productive.

It is not possible to list all the forms of behavior that are considered unacceptable in the workplace. The following workplace etiquette guidelines are not necessarily intended to be hard and fast work rules with disciplinary consequences. They are simply suggestions for appropriate workplace behavior to help everyone be more conscientious and considerate of co-workers and the work environment. Please contact the Human Resource Manager if you have comments, concerns, or suggestions regarding these workplace etiquette guidelines.

- * Return copy machine and printer settings to their default settings after changing them.
- * Replace paper in the copy machine and printer paper trays when they are empty.
- * Retrieve print jobs in a timely manner and be sure to collect all your pages.
- * Keep the area around the copy machine and printers orderly and picked up.
- * Avoid public accusations or criticisms of other employees. Address such issues privately with those involved or your supervisor.
- * Try to minimize unscheduled interruptions of other employees while they are working.
- * Communicate by email or phone whenever possible, instead of walking unexpectedly into someone's office or workspace.
- * Be conscious of how your voice travels, and try to lower the volume of your voice when talking on the phone or to others in open areas.
- * Keep socializing to a minimum, and try to conduct conversations in areas where the noise will not be distracting to others.
- * Minimize talking between workspaces or over cubicle walls. Instead, conduct conversations with others in their workspace.

- * Try not to block walkways while carrying on conversations.
- * Refrain from using inappropriate language (swearing) that others may overhear.
- * Avoid discussions of your personal life/issues in public conversations that can be easily overheard.
- * Monitor the volume when listening to music, voice mail, or a speakerphone that others can hear.
- * Clean up after yourself and do not leave behind waste or discarded papers.

703. Attendance and Punctuality

To maintain a safe and productive work environment, Monarch Air expects employees to be reliable and to be punctual in reporting for scheduled work. Absenteeism and tardiness place a burden on other employees and on Monarch Air. In the rare instances when employees cannot avoid being late to work or are unable to work as scheduled, they should notify their supervisor as soon as possible in advance of the anticipated tardiness or absence.

Poor attendance and excessive tardiness are disruptive. Absenteeism or tardiness that is unexcused or excessive in the judgment of Monarch Air is grounds for disciplinary action, up to and including an unpaid suspension or termination of employment.

704. Personal Appearance

Dress, grooming, and personal cleanliness standards contribute to the morale of all employees and affect the business image Monarch Air presents to the community.

During business hours or when representing Monarch Air, you are expected to present a clean, neat, and tasteful appearance. You should dress and groom yourself according to the requirements of your position and accepted social standards.

Your supervisor or department head is responsible for establishing a reasonable dress code appropriate to the job you perform. If your supervisor feels your personal appearance is inappropriate, you may be asked to leave the workplace until you are properly dressed or groomed. Under such circumstance, you will not be compensated for the time away from work. Consult your supervisor if you have questions as to what constitutes appropriate appearance. Where necessary, reasonable accommodation may be made to a person with a disability.

Without unduly restricting individual tastes, the following personal appearance guidelines should be followed:

- * Shoes must provide safe, secure footing, and offer protection against hazards.
- * Mustaches and beards must be clean, well trimmed, and neat.
- * Hairstyles are expected to be in good taste.

705. Business Ethics and Conduct

The successful business operation and reputation of Monarch Air is built upon the principles of fair dealing and ethical conduct of our employees. Our reputation for integrity and excellence requires careful observance of the spirit and letter of all applicable laws and regulations, as well as a scrupulous regard for the highest standards of conduct and personal integrity.

The continued success of Monarch Air is dependent upon our customers' trust and we are dedicated to preserving that trust. Employees owe a duty to Monarch Air, its customers, and business partners to act in a way that will merit the continued trust and confidence of the public.

Monarch Air will comply with all applicable laws and regulations and expects its directors, officers, and employees to conduct business in accordance with the letter, spirit, and intent of all relevant laws and to refrain from any illegal, dishonest, or unethical conduct.

In general, the use of good judgment, based on high ethical principles, will guide you with respect to lines of acceptable conduct. If a situation arises where it is difficult to determine the proper course of action, the matter should be discussed openly with your immediate supervisor and, if necessary, with the Department Manager for advice and consultation.

Compliance with this policy of business ethics and conduct is the responsibility of every Monarch Air employee. Disregarding or failing to comply with this standard of business ethics and conduct could lead to disciplinary action, up to and including possible termination of employment.

706. Conflicts of Interest

Employees have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest. This policy establishes only the framework within which Monarch Air wishes the business to operate. The purpose of these guidelines is to provide general direction so that employees can seek further clarification on issues related to the subject of acceptable standards of operation. Contact the Office Manager for more information or questions about conflicts of interest.

Transactions with outside firms must be conducted within a framework established and controlled by the executive level of Monarch Air. Business dealings with outside firms should not result in unusual gains for those firms. Unusual gain refers to bribes, product bonuses, special fringe benefits, unusual price breaks, and other windfalls designed to ultimately benefit either the employer, the employee, or both. Promotional plans that could be interpreted to involve unusual gain require specific executive-level approval.

An actual or potential conflict of interest occurs when an employee is in a position to influence a decision that may result in a personal gain for that employee or for a relative as a result of Monarch Air's business dealings. For the purposes of this policy, a relative is any person who is related by blood or marriage, or whose relationship with the employee is similar to that of persons who are related by blood or marriage. Examples of such conflicts are:

- Ownership by an employee or by a relative of a significant interest in any outside enterprise which does or seeks to do business with or is a competitor of Monarch Air.
- Serving as a director, officer, partner, consultant, or in a managerial or technical capacity with an outside enterprise which does or is seeking to do business with or is a competitor of Monarch Air.
- Acting as a broker, finder, go-between or otherwise for the benefit of a third party in transactions involving or potentially involving Monarch Air or its interests.
- Any other arrangements or circumstances, including family or other personal relationships that might dissuade the employee from acting in the best interest of Monarch Air.

No "presumption of guilt" is created by the mere existence of a relationship with outside firms. However, if employees have any influence on transactions involving purchases, contracts, or leases, it is imperative that they disclose to an officer of Monarch Air as soon as possible the existence of any actual or potential conflict of interest so that safeguards can be established to protect all parties.

Personal gain may result not only in cases where an employee or relative has a significant ownership in a firm with which Monarch Air does business, but also when an employee or relative receives any kickback, bribe, substantial gift, or special consideration as a result of any transaction or business dealings involving Monarch Air.

707. Return of Property

Employees are responsible for all Monarch Air property, materials, or written information issued to them or in their possession or control.

Employees must return all Monarch Air property immediately upon request or upon termination of employment. Where permitted by applicable laws, Monarch Air may withhold from the employee's check or final paycheck the cost of any items that are not returned when required. Monarch Air may also take all action deemed appropriate to recover or protect its property.

708. Progressive Discipline

The purpose of this policy is to state Monarch Air's position on administering equitable and consistent discipline for unsatisfactory conduct in the workplace. The best disciplinary measure is the one that does not have to be enforced and comes from good leadership and fair supervision at all employment levels.

Monarch Air's own best interest lies in ensuring fair treatment of all employees and in making certain that disciplinary actions are prompt, uniform, and impartial. The major purpose of any disciplinary action is to correct the problem, prevent recurrence, and prepare the employee for satisfactory service in the future.

Although employment with Monarch Air is based on mutual consent and both the employee and Monarch Air have the right to terminate employment at will, with or without cause or advance notice, Monarch Air may use progressive discipline at its discretion.

Disciplinary action may call for any of four steps -- verbal warning, written warning, suspension with or without pay, or termination of employment -- depending on the severity of the problem and the number of occurrences. There may be circumstances when one or more steps are bypassed.

Progressive discipline means that, with respect to most disciplinary problems, these steps will normally be followed: a first offense may call for a verbal warning; a next offense may be followed by a written warning; another offense may lead to a suspension; and, still another offense may then lead to termination of employment.

Monarch Air recognizes that there are certain types of employee problems that are serious enough to justify either a suspension, or, in extreme situations, termination of employment, without going through the usual progressive discipline steps.

While it is impossible to list every type of behavior that may be deemed a serious offense, the Employee Conduct and Work Rules policy includes examples of problems that may result in immediate suspension or termination of employment. However, the problems listed are not all necessarily serious offenses, but may be examples of unsatisfactory conduct that will trigger progressive discipline.

By using progressive discipline, we hope that most employee problems can be corrected at an early stage, benefiting both the employee and Monarch Air.

709. Problem Resolution

Misunderstandings or conflicts can arise in any organization. To ensure effective working relations, it is important that such matters be resolved before serious problems develop. Most incidents resolve themselves naturally; however, if a situation persists that you believe is detrimental to you or to Monarch Air, you should follow the procedure described here for bringing your complaint to management's attention.

Step One

Discussing the problem with your immediate supervisor is encouraged as a first step. If, however, you do not believe a discussion with your supervisor is appropriate, you may proceed directly to Step Two.

Step Two

If your problem is not resolved after discussion with your supervisor or if you feel discussion with your supervisor is inappropriate, you are encouraged to request a meeting with your department head. In an effort to resolve the problem, your department head will consider the facts, investigate the matter, if required, and may also review the matter with a member of our human resource department. You will normally receive a response regarding your problem within five working days of meeting with your department head.

Step Three

If you are not satisfied with your department head's decision and wish to pursue the problem or complaint further, you may prepare a written summary of your concerns and request that the matter be reviewed by Monarch Air's Human Resource Manager.

The Human Resource Manager, after a full examination of the facts (which may include a review of the written summary of your statement; discussions with all individuals concerned, and a further investigation if necessary), will normally advise you of its decision within a reasonable period of time. The decision of the Human Resource Manager shall be final.

Monarch Air does not tolerate any form of retaliation against employees availing themselves of this procedure. The procedure should not be construed, however, as preventing, limiting, or delaying Monarch Air from taking disciplinary action against any individual, up to and including an unpaid suspension or termination, in circumstances (such as those involving problems of overall performance, conduct, attitude, or demeanor) where Monarch Air deems disciplinary action appropriate.

710. Employment Termination

Employees desiring to resign their employment relationship with Monarch Air are urged to notify Monarch Air at least two weeks in advance of their intended termination. Such notice should preferably be given in writing to the employee's supervisor. Proper notice generally allows Monarch Air sufficient time to calculate all accrued overtime (if applicable) as well as other monies to which the terminating employee may be entitled and to include such monies in a final paycheck. Without proper notice, however, the terminating employee may have to wait until after the end of the next normal pay period to receive such payments.

Employees who plan to retire are urged to provide Monarch Air with a minimum of two months' notice. This will allow ample time for the processing of appropriate forms to ensure that any retirement benefits to

which an employee may be entitled commence in a timely manner.

As mentioned elsewhere in this handbook, all employment relationships with Monarch Air are on an at-will basis. Thus, although Monarch Air hopes that our relationships with employees are long term and mutually rewarding, Monarch Air reserves the right to terminate the employment relationship at any time, with or without cause or notice.

Exit interviews with the Human Resource Manager are normally scheduled for outgoing employees after a supervisor receives a notice of resignation or intent to retire and for employees whose termination is initiated by Monarch Air. The purposes of these interviews are to review eligibility for benefit continuation and conversion, to ensure that all necessary forms are completed, to collect all Monarch Air property that may be in the employee's possession (e.g., Monarch Air credit cards and keys), and to provide employees with an opportunity to discuss their job-related experiences. Terminated employees will receive their final pay in accordance with applicable state law.

Although former employees may reapply for employment with Monarch Air, no former employee, regardless of his/her former position or years of service, is entitled to reemployment. Former employees, like all other applicants, must fill out a new employment application, regardless of how recently they left Monarch Air, and they will be considered along with all other applicants for the position at issue. Monarch Air will consider, among other things, the former employee's previous training, performance, conduct, and work ethic, and the circumstances under which the employee left Monarch Air.

Former employees who are rehired will not be given seniority credit for their previous period(s) of employment. They will be reinstated in any benefit plans in accordance with the terms of the plans and as required by applicable law. Employees who have been rehired are encouraged to contact Human Resource for further information regarding their benefit status and entitlements.

801. Weapons Policy

Except as permitted by Section 52.061 of the Texas Labor Code, employees may not, at any time while on any property owned, leased or controlled by Monarch Air, including anywhere that company business is conducted, such as customer locations, client locations, trade shows, restaurants, company event venues, and so forth, possess or use any weapon. Weapons include, but are not limited to, guns, knives with blades over four inches in length, explosives, and any chemical whose purpose is to cause harm to another person.

Regardless of whether an employee possesses a concealed weapons permit or is allowed by law to possess a weapon, weapons are prohibited on any company property or in any location in which the employee represents the company for business purposes, including those listed above.

Possession of a weapon can be authorized by an officer of the company to allow security personnel or a trained employee to have a weapon on company property when this possession is determined necessary to secure the safety and security of company employees. Only an officer of the company may authorize the carrying of or use of a weapon.

Employees who violate this policy will be subject to disciplinary actions, up to and including employment termination.

 **MONARCH AIR**
Employee Handbook