



## **FRAUD POLICY**

### **Background**

Royco Hotels ("the Company") has established the fraud policy to facilitate the development of controls which will aid in the detection and prevention of fraud, impropriety or irregularity against the Company. It is the intent of the Company to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

### **Scope of Policy**

This policy applies to any actual or suspected fraud, impropriety or irregularity involving employees as well as consultants, vendors, contractors, employees with outside agencies and/or any other parties with a business relationship with the Company.

The Controller in conjunction with Screening Committee/Compliance Officer oversight, without regard to the suspected wrongdoer's length of service, position/title, or relationship with the Company shall evaluate suspected fraud and initiate any necessary investigative activity.

### **Policy**

Management personnel shall be responsible for detection and prevention of fraud, improprieties and other irregularities involving the Company. Each member of the management team shall be familiar with the types of improprieties that might occur within his/her area of responsibility, and be alert for any indication of fraud, abuse, or illegal act. Any fraud that is detected or suspected must be reported immediately to an immediate supervisor, when possible, and/or the controller. The controller will coordinate all investigations with Screening Committee/Compliance Officer and other affected areas, both internal and external.

### **Actions constituting Fraud**

The terms fraud, abuse, and illegal acts refers to, but are not limited to:

1. Any dishonest or fraudulent act
2. Forgery or alteration of any document or account belonging to the Company
3. Forgery or alteration of a check, bank draft, or any other financial document
4. Misappropriation of funds, securities, supplies, or other assets
5. Impropriety in the handling or reporting of money or financial transactions
6. Profiteering as a result of insider knowledge of company activities
7. Disclosing confidential and proprietary information to outside parties
8. Disclosing to other persons securities activities engaged in or contemplated by the company
9. Accepting or seeking anything of material value from contractors, vendors, or persons providing services to company
10. Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment and/or
11. Any similar or related inappropriate conduct

IF there is any question as to whether an action constitutes fraud, contact the Controller for guidance.

### **Investigation Responsibilities**

The Screening Committee/Compliance Officer has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. IF the investigation substantiates that fraudulent activities have occurred, the Screening Committee/Compliance Officer will issue reports to appropriate designated personnel and if appropriate to the Board of Directors through the Audit committee.

Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with the Screening Committee/Compliance Officer, legal counsel and the Audit committee, as will final decision on disposition of the case.

## **Confidentiality**

The Controller shall maintain the confidentiality of all information received. Any employee who suspects dishonest or fraudulent activity should immediately notify their immediate supervisor, when possible, and/or the Controller and should not attempt to personally conduct the investigations or interviews/interrogations related to any suspected dishonest/fraudulent act (See Reporting Procedures below)

Investigation results will not be disclosed or discussed with anyone other than those individuals who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the company from potential civil liability

## **Authorization for Investigating Suspected Fraud**

Where there exists reasonable cause, and to the extent of the law, members of the investigation unit will have free and unrestricted access to all company records and premises whether owned or rented.

## **Reporting Procedures**

Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is in progress.

An employee who discovers or suspects fraudulent activity will contact the Controller immediately. All inquiries concerning the activity under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to the Investigations Unit of the Legal Counsel. No information concerning the status of an investigation will be given out. The proper response to any inquiry is "I am not at liberty to discuss this matter." Under no circumstances should any reference be made to "the allegation, the crime, the fraud, the forgery, the misappropriation, or any other specific reference. The reporting individual should be advised of the following:

1. Do not contact the suspected individual in an effort to determine facts or demand restitution
2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Company's legal counsel or the controller.

### **NOTE:**

Any reports of suspected or observed violations of business code of conduct or other unethical behavior should be directed to the following:

**(1) The Compliance Officer(Supertel Hospitality, Inc.):**Connie Scarpello phone: (402) 371-2520, [cscarpello@supertelinc.com](mailto:cscarpello@supertelinc.com)

**(2) Controller (Royco Hotels):** Martin Simon phone: (402) 371-2520, [msimon@roycohotels.com](mailto:msimon@roycohotels.com)

**(3) President (Royco Hotels):** Mr. Greg Royer phone (403)-253-2050, [groyer@roycohotels.com](mailto:groyer@roycohotels.com)

**Or by mail anonymously to the attention of Martin Simon at 309 North 5<sup>th</sup> Street, P.O. Box 1448, Norfolk, NE, 68702-1448**

The Screening Committee consists of the designates listed above and any other representatives as determined by \*\*Supertel and Royco Officers.

The controller is responsible for the administration, revision, interpretation and application of this policy. The policy will be reviewed annually and revised as needed.

Greg Royer  
President

Terry Royer  
Chairman