



## **WHISTLE BLOWER**

### **INTRODUCTION**

Royco Hotels ("Royco") strives to maintain effective control of our clients assets and in this context, under the assistance of Supertel Hospitality, Inc. or any other client (\*\*Supertel), we have established a program and procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters.

We expect and believe all our employees have a high level of integrity and we wish to create an environment to improve internal communication, allow employees to express their concerns and collect information regarding emerging issues before they become a crisis.

In this context we are creating a process for receiving and handling complaints, reports or concerns where assets of \*\*Supertel are being misused or misappropriated or where there have been irregular or questionable accounting practices or other behavior that is detrimental to the fundamental financial health of our clients and/or is not consistent with the core values as they relate to financial issues. The following are examples, which are not exhaustive:

- Contracts entered into where costs are not competitive and/or have a cost or benefit over and above the fair value of the product or service
- Purchasing from vendors who offer "other benefits" to RHE#2 (div. of Royco Hotels) employees, e.g. a trip to Las Vegas for the employee and family
- Cash misappropriation or theft of any other property or assets by RHE#2 employees
- Any situation where the employee believes \*\*Supertel's earnings or distributable cash are being adversely affected by fraudulent activities
- Liabilities are being excluded from \*\*Supertel's balance sheet
- Fraud or error in the preparation, evaluation, review or audit of any financial statement of \*\*Supertel
- Fraud or error in the recording and maintaining of financial records of \*\*Supertel
- Deficiencies in or non-compliance with \*\*Supertel's and Royco's internal accounting controls
- Misrepresentation or false statement to or by a senior officer or accountant regarding a matter contained in the financial records, financial reports (including discussions in quarterly and annual reports filed with the securities commissions) or audit reports of \*\*Supertel and
- Deviation from full and fair reporting of \*\*Supertel's financial condition

We are instituting a process that will permit employees to submit information to the Compliance Officer or the Royco Controller in strict confidence or anonymously if they so wish. If you are not sure if your concern falls within the parameters of this program, contact the designate who will effect further investigation in the strictest of confidence. Where employees have other issues they are advised to contact their Regional Director, the Director of Human Resources, or the Vice President of Operations.

### **REPORTING PROCEDURE**

You may submit report of violations of business code of conduct or concerns regarding questionable accounting or auditing matters 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, [grover@roycohotels.com](mailto:grover@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 compliance officer is responsible for investigating and resolving all reported complaints and will forward reported violations to the audit committee to determine action if required. The compliance officer will notify the sender and acknowledge receipt of submission. As previously stated all information will be treated in the strictest confidence and the compliance officer will ensure that there will be no retaliation against the employee who in good faith raises the issue.

This policy will be communicated during the initial employee orientation and posted on the employee section of the Royco website.

Our employees are our greatest asset and are fundamental to the success of Royco.

\*\*context constitutes Supertel Hospitality, Inc. and any other client as applicable.

Greg Royer,  
President

Terry Royer,  
Chairman