**RChain Cooperative Fraud Policy**

**Policy Background**

This fraud policy is established to facilitate the development of controls that will aid in the detection and prevention of fraud against RChain Cooperative (the “Coop”). It is the intent of RChain Cooperative 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 irregularity, or suspected irregularity, involving employees as well as shareholders, consultants, vendors, contractors, outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with the Coop. Any investigative activity required will be conducted without regard to the suspected wrongdoer’s length of service, position/title, or relationship to the Coop.

**Policy**

The RChain Board is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the RChain board must be familiar with the types of improprieties in connection with the private RHOC sale, and be alert for any indication of irregularity. Any irregularity that is detected or suspected must be reported immediately to the Greg Meredith and Evan Jensen, who coordinate all investigations (the “Fraud Prevention Team”). Upon the launch of the RChain blockchain, the RChain Membership may vote into place new or additional members to join the Fraud Prevention Team.

**Examples of Fraud**

* Any dishonest or fraudulent act
* Misappropriation of funds, RHOC, supplies, or other assets
* Impropriety in the handling or reporting of money or financial transactions
* Disclosing confidential and proprietary information to outside parties
* Improperly disclosing to other persons the activities engaged in or contemplated by the Coop
* Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to the Coop
* Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment
* Attempts to mask identity during KYC process
* Any attempt to deceive members of the Coop regarding accredited purchaser status

**Investigation Responsibilities**

The Fraud Prevention Team 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 Fraud Prevention Team will issue reports to appropriate designated personnel and to the RChain Board. 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 legal counsel and the RChain Board, as will final decisions on disposition of the case.

**Confidentiality**

The Fraud Prevention Team treats all information received confidentially. Any member who suspects dishonest or fraudulent activity will notify the Fraud Prevention Team immediately, and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act.

Investigation results will not be disclosed or discussed with anyone other than those 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 Coop from potential civil liability.

**Authorization to Investigate Suspected Fraud**

Fraud Prevention Team investigating suspected fraud will have the authority to examine, copy, and remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of their investigation.

**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 under way.

A member who discovers or suspects fraudulent activity will contact the \_\_\_\_\_\_\_\_\_\_\_\_\_ Unit immediately. The member or other complainant may remain anonymous. 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 or the Legal Department. No information concerning the status of an investigation will be given out. The proper response to any inquiries 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 informed of the following:

* Do not contact the suspected individual in an effort to determine facts or demand restitution.
* Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Legal Department or \_\_\_\_\_\_\_\_\_\_\_\_ Unit.

**Termination**

If an investigation results in a recommendation to terminate an individual, the recommendation will be reviewed for approval by the RChain Board and the Legal Department and, if necessary, by outside counsel, before any such action is taken. The Fraud Prevention Team does not have the authority to terminate an employee. The decision to terminate an employee is made by the RChain Board pursuant to the Bylaws. Should the Fraud Prevention Team believe the RChain Board decision inappropriate for the facts presented, the facts will be presented to the membership for a decision.

**Administration**

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