



ANTI-FRAUD POLICY

I. BACKGROUND

This Anti-Fraud Policy is established to facilitate the development of controls that will aid in the detection and prevention of fraud against MREIT, Inc. (the “Company” or “MREIT”). Using the Company’s Core value of Integrity as an operating framework, 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. The Company shall have zero tolerance towards fraud and shall take all appropriate measures for its detection and prevention.

II. 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 Company. Any investigative activity required will be conducted without regard to the suspected wrongdoer’s length of service, position/title, or relationship to the Company.

III. POLICY

Management 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 management team will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity. Any irregularity that is detected or suspected must be reported immediately to Internal Audit, who coordinates all investigations with the Legal Department and other affected areas, both internal and external.

IV. ACTIONS CONSTITUTING FRAUD

The term "Fraud" refers to, but is not limited to:

- Fraudulent reporting – intentionally causing a misstatement or omission of decision-critical information in a report (e.g., deceitful management reports, improper revenue recognition, overstatement of assets or understatement of liabilities, false credentials).
- Misappropriation of assets – stealing or misusing the company's resources, funds, securities, supplies, or other assets (e.g., embezzlement, check tampering, unremitted collections, payroll fraud and theft, destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment).
- Corruption – misusing one's authority or inducing others to do so in order to improperly gain a direct or indirect benefit (e.g., giving or accepting bribes or inappropriate gifts, double dealing, under-the-table transactions, manipulating bids, extortion).
- Bribery – the promise, offering or giving, directly or indirectly, of an undue advantage or benefit to any person who directs or works, in any capacity, for a private sector entity, for the person himself or herself or for another person, in order that he or she, in breach of his or her duties, acts or refrains from acting.
- Tipping – profiteering as a result of insider knowledge of company activities; disclosing confidential and proprietary information to outside parties; disclosing to other persons securities activities engaged in or contemplated by the company. (See also the Insider Trading Policy.)
- Any similar or related irregularity.

V. OTHER IRREGULARITIES

Irregularities concerning an employee's moral, ethical, or behavioral conduct should be resolved by departmental management and the Employee Relations Unit of Human Resources rather than Internal Audit. If there is any question as to whether an action constitutes fraud, contact Internal Audit for guidance.

VI. RESPONSIBILITIES

Audit Committee

- Approves the Anti-Fraud Policy.
- Performs oversight on: implementation of this Policy; Management's actions to prevent and detect fraud; fraud investigations.

Management

- Ensures effective and efficient implementation of this Policy.
- Primarily responsible for the prevention and detection of fraud by ensuring that adequate internal controls exist within their areas of responsibility, and that these controls continue to operate effectively.
- Informs Internal Audit of any reported fraud.

Internal Audit

- Receives, evaluates and, if necessary, initiates the investigation of suspected fraudulent activities. For this purpose, Internal Audit shall designate an Integrity Officer.
- Assists the Integrity Officer in the conduct of investigations, as required.
- Provide advice and assistance on risk and control issues.
- Perform periodic reviews to evaluate the effective implementation of this policy.
- Periodically report to the Audit Committee the significant fraud reports received, status of investigations performed and outcomes reached.

Internal Audit 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, Internal Audit 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 legal counsel and senior management, as will final decisions on disposition of the case.

All employees are urged to read this Policy and to alert their immediate superior when they believe the opportunity for fraud exists because of poor internal controls.

VII. CONFIDENTIALITY

Internal Audit treats all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify Internal Audit immediately, and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act (see REPORTING PROCEDURES section below). 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 Company from potential civil liability.

VIII. AUTHORIZATION FOR INVESTIGATING SUSPECTED FRAUD

Members of the Investigation Unit will have:

- Free and unrestricted access to all Company records and premises, whether owned or rented; and
- The authority to examine, copy, and/or 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.

IX. 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. An employee who discovers or suspects fraudulent activity will contact Internal Audit immediately. The employee 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 Investigating Unit of Internal Audit 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 the Investigating Unit of Internal Audit.

X. TERMINATION

If an investigation results in a recommendation to terminate an individual, the recommendation will be reviewed for approval by the designated representatives from Human Resources and the Legal Department and, if necessary, by outside counsel, before any such action is taken. Internal Audit does not have the authority to terminate an employee. The decision to terminate an employee is made by the employee's management. Should Internal Audit believe the management decision inappropriate for the facts presented, the facts will be presented to executive level management for a decision.

XI. APPROVAL, IMPLEMENTATION AND REVIEW OF POLICY

This Policy has been approved and adopted by the Audit Committee, which has the overall responsibility for implementation, monitoring and periodic review of this Policy. In addition, the Audit Committee has delegated the day-to-day responsibility

for administration, revision, interpretation, and application of the Policy to the Head of Internal Audit. The Policy will be reviewed annually and revised as needed.

MREIT, Inc.

By:



Antonio E. Llantada, Jr.

Chairman of the Audit Committee



Sergio R. Ortiz-Luis, Jr.

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