

**THE PHILODRILL CORPORATION**  
**Conflict of Interest Policy**

**Policy Statement**

There exists between **THE PHILODRILL CORPORATION** (the "Corporation") its board, officers, management and employees and the public a fiduciary duty, which carries with it a broad and unbending duty of loyalty and fidelity. The board, officers, management and employees have the responsibility of administering the affairs of the Corporation honestly and prudently, and of exercising their best care, skill, and judgment for the benefit of the Corporation and its stakeholders. Those persons shall exercise the utmost good faith in all transactions involved in their duties, and they shall not use their positions with the Corporation or knowledge gained therefrom for their personal benefit. The interests of the Corporation must be the first priority in all decisions and actions.

**Code of Conduct**

The Board, Management and employees of the Corporation are expected to comply with the following Code of Conduct:

- **Duty of Fidelity.** The Board, Management and Employees owe a duty of loyalty and fidelity to the Corporation. They are expected to perform their duties on behalf of the Corporation faithfully, diligently and to the best of their abilities.
- **Conflict of Interest.** The Board, Management and Employees should not allow themselves to be placed in a position where their personal interests are in conflict (or could be in conflict) with the interests or business of the Corporation. They must avoid any situation or activity that compromises, or may compromise, their judgment or ability to act in the best interest of the Corporation.
- **Disclosure of Potential Conflicts.** The Board, Management and Employees must promptly disclose to the Corporation material information regarding any relationship, ownership or business interest (other than non-controlling investments in publicly-traded corporations), whether direct or indirect, that the employee or a member of his/her immediate family has with any person, or in any business or enterprise, that:
  - competes with the Corporation; or
  - purchases or sells, or seeks to purchase or sell, goods or services to or from the Corporation.
- **Protective Steps.** Upon disclosure of the information described above, the Corporation will take appropriate steps to protect against any actual or potential conflict of interest. Such steps may include:
  - requiring them to refrain from being involved in any decisions made by the Corporation regarding its dealings with such person, business or enterprise; or

- requiring them to refrain from being involved in any dealings on behalf of the Corporation with such person, business or enterprise; or
- requiring them to dispose of his/her interest in such business or enterprise if he/she wishes to remain in the Corporation's employ.
- **Harm to Business or Reputation.** The Board, Management and Employees must refrain from engaging in conduct that could adversely affect the Corporation's business or reputation. Such conduct includes, but is not limited to:
  - publicly criticizing the Corporation, its management or its employees; or
  - engaging in criminal conduct or other behavior that could harm the Corporation's business or reputation.
- **Gifts or 'Kickbacks'.** The Board, Management and Employees must never accept any 'kickbacks', loans, gifts of other than nominal value (less than \_\_\_\_\_), or personal payments of any kind, from any person or business enterprise that:
  - competes with the Corporation; or
  - purchases or sells, or seeks to purchase or sell, goods or services to, or from, the Corporation.
- **Corporation Funds and Property.** The Board, Management and Employees must be conscientious and scrupulous in their handling of funds and property belonging to the Corporation, and must always avoid any form of financial impropriety. They must not use, or permit the use of, Corporation property or resources for anything other than approved corporate business or activities. Examples of unauthorized use would include using Corporation computers or photocopiers for personal purposes.
- **Confidential Information.** Confidential information (printed, electronic or otherwise) relating to the Corporation's past, present, future and contemplated assets, operations, products or services, industrial designs, inventions, production methods, marketing strategies and objectives, personnel, facilities, equipment, finances, pricing, interest rates, sales, customers, routines, policies, and business procedures must never be disclosed to anyone outside the Corporation's organization, without the Corporation's express written authorization.
- **Outside Employment or Business Activity.** During working hours, employees are expected to devote their full time and attention to the business and the affairs of the Corporation. If an employee wishes to engage in employment or business activity outside his/her employment with the Corporation, the employee must first disclose to the Corporation the nature and extent of the proposed employment or business activity, and obtain the Corporation's written approval. Approval will only be withheld if the Corporation reasonably determines that the employee's proposed outside employment or business activity could conflict or compete with the interests of the Corporation, or could negatively affect the employee's job performance or attendance.

The Board and Management must not engage in activities that would place the Corporation under unnecessary risk. It is their duty to stay objective, unselfish, responsible, honest, trustworthy, and efficient. Board members, as stewards of public trust, must always act for the good of the Corporation, rather than for the benefit of themselves.

#### **Areas In Which Conflict May Arise:**

Conflicts of interest may arise in the relations of directors, officers, management and employees with any of the following third parties:

1. Persons and firms supplying goods and services to Philodrill.
2. Persons and firms from whom the Corporation leases property and equipment.
3. Persons and firms with whom the Corporation is dealing or planning to deal in connection with the gift, purchase or sale of real estate, securities, or other property.
4. Competing or affinity organizations.
5. Donors and others supporting Philodrill.
6. Agencies, organizations, and associations which affect the operations of the Corporation.
7. Family members, friends, and other employees.

#### **Disclosure Policy and Procedure:**

Transactions with parties with whom a conflicting interest exists may be undertaken only if all of the following are observed:

1. The conflicting interest is fully disclosed;
2. The person with the conflict of interest is excluded from the discussion and approval of such transaction;
3. A competitive bid or comparable valuation exists; and
4. The Audit Committee has determined that the transaction is in the best interest of the organization.

Disclosure in the organization should be made to the President (or if he is the one with the conflict, then to the board chair), who shall bring the matter to the attention of the Audit Committee. Disclosure involving Directors should be made directly to the Audit Committee.

The Audit Committee shall determine whether a conflict exists and in the case of an existing conflict, whether the contemplated transaction may be authorized as just, fair, and reasonable to the Corporation. The decision of the Audit Committee on these matters will rest in their sole discretion, and their concern must be the welfare of the Corporation and the advancement of its purpose.