

CODE OF CONDUCT  
FOR  
SCIENTIFIC DRILLING INTERNATIONAL, INC.  
AND  
ITS AFFILIATES AND SUBSIDIARIES

## MESSAGE FROM THE CEO

At Scientific Drilling International, Inc. and Applied Technologies Associates, Inc. and their subsidiaries and affiliates (collectively, "SDI"), doing the right thing is part of who we are. It's a part of our culture and makes our companies something we can all be proud of.

Our Core Values demonstrate our resolve that our employees will act with integrity. The Code of Conduct goes a step further and provides more specific direction for corporate governance and the complexities of our industry.

The Code of Conduct, approved by the SDI Board of Directors, is a practical guide designed to help our employees put our Core Values into action when performing their daily work duties.

While it cannot possibly provide guidance for all situations, it does outline some common issues we might face while performing our duties. It also identifies resources available to employees who might need more assistance with regard to ethical issues.

We are all responsible for reading, understanding, and adhering to the principles outlined in the Code of Conduct. Though not anticipated, any waiver of the Code of Conduct must be expressly approved by SDI's Compliance Group or me. Of course, any waiver requested by a member of management must be approved by the SDI Board of Directors.

Thank you for acting as ambassadors of our organization. By living up to our Core Values and carrying out your duties with integrity, we can all continue striving to reach our highest potential.

Sincerely,



Phil Longorio

President and Chief Executive Officer

## CODE OF CONDUCT

Our policy is simple: we must each conduct all of our activities with the highest level of integrity and ethics, complying with the letter and the spirit of all applicable laws and regulations. In other words, we should avoid doing anything that may be, or even appear to be, illegal or unethical and all employees should endeavor to deal fairly and honestly with our vendors, customers, competitors, and each other.

This Code describes our standards of conduct and business practices. These standards apply to all directors and employees (collectively, “employees”) of Scientific Drilling International, Inc. and Applied Technologies Associates, Inc. and their subsidiaries and affiliates (collectively, “SDI”).

### OBLIGATIONS OF EACH EMPLOYEE

**Understand this Code:** We all have a responsibility to make sure our ethics and business practices program works. To fulfill this responsibility, you should read this Code thoroughly and become familiar with it. If you do not understand something in this Code, please seek out assistance from your supervisor.

**Comply with this Code, SDI Policies, and the Law:** Each employee must comply with the spirit and the letter of this Code, SDI policies, and all applicable laws and regulations. For employees this is a condition of continued employment. Failure to comply will result in disciplinary action, which may include immediate termination for cause.

**Communicate Actual or Suspected Violations:** We should all be alert and sensitive to situations that could result in violations of this Code, SDI policies, or the law. *Each employee has an obligation to report any conduct that may be a violation.*

Generally, these matters should be raised first with your immediate supervisor. This may provide valuable insights or perspectives and encourage resolution of problems within the appropriate area. However, if you are uncomfortable bringing this matter up with your supervisor, or you do not believe the supervisor has dealt with the matter properly, you should raise the matter with SDI’s General Counsel, Dan Carter. All inquiries, however reported, will be handled on a confidential, “need-to-know” basis.

If you choose to communicate in writing, you should send your letter to SDI, Attention: General Counsel, 1100 Rankin Road, Houston, Texas 77073 or email to [codeofconduct@scientificdrilling.com](mailto:codeofconduct@scientificdrilling.com). If you prefer to remain anonymous, you may call 281-214-7540 and leave a message for the General Counsel.

Regardless of how a report is made, no employee will suffer any retaliation of any kind for reporting in good faith a violation or suspected violation of this Code, SDI policy, or the law. In addition, no employee will suffer any retaliation for filing any complaint with any government agency or for exercising any legal right.

Violations of this Code or with the laws and regulations applicable to SDI’s business may subject an employee to corrective disciplinary action, up to and including termination for cause. In addition, any violations may also violate foreign, federal, state, or local laws and could subject an employee to individual civil or criminal prosecution with accompanying potential damages, fines, and imprisonment.

**How Can You Be Sure That You Are Doing The Right Thing:** No matter what your job, you make decisions every day that affect SDI and your co-workers. Sometimes, circumstances can blur the line between right and wrong. When in doubt, you should ask yourself:

- Do I have all the information I need to make a good decision?
- Does my decision appear appropriate and ethical?
- Am I complying with the intent of SDI's policies?
- What could the impact on SDI be because of my actions?
- Would I want to read about it on the front page of the newspaper?

If your answer to any of these questions is not positive, it may be that whatever you are considering is the wrong thing to do and you should reach out to your supervisor or the General Counsel for help.

## **POLICIES AND PRACTICES**

Below are summaries of key SDI policies relating to ethics and business practices. *Compliance with these policies is a condition of each employee's continued employment.*

## **CONFLICTS OF INTEREST**

Conflicts of interest arise when there is opportunity for personal gain beyond the usual rewards of employment or when an employee's interests collide with SDI's interests. Each employee must avoid doing anything that compromises or appears to compromise his judgment or that places or appears to place his personal interests and SDI's interests at odds.

Conflicts of interest can arise whenever you hold a significant interest in, engage in outside work for, or receive any personal benefit or gift from any of our vendors, suppliers, contractors, customers, or competitors. Conflicts also arise when you compete with SDI or when you are presented with a business opportunity that is received due to your position with SDI and in which SDI may be interested.

It is impractical to list every activity that might constitute a "conflict of interest." There are also many borderline situations that need evaluation based on all relevant information. When in doubt, ask your supervisor. The following are typical conflict of interest situations and SDI policy with respect to each:

**Corporate Opportunities:** All employees are prohibited from taking for themselves opportunities that are discovered using corporate property, information, or position. No employee may use corporate property, information, or position for improper personal gain, and no employee may compete with SDI directly or indirectly. Each employee owes a duty of loyalty to SDI to advance its legitimate business interests when the opportunity to do so arises.

**Outside Work:** Employees must not work for, or conduct any outside business with, a competitor. Employees may not be engaged in any manner by a competitor of SDI.

**Gift and Business Entertainment:** Accepting gifts or entertainment from those SDI does business with could be perceived to influence decisions or create a sense of obligation. In addition, offering gifts and entertainment to our customers can raise similar issues. To ensure the highest level of objectivity in dealing with SDI's vendors, suppliers, contractors, customers, competitors and representatives, and to avoid the appearance of impropriety, you should not accept or offer any gift or entertainment unless it:

- is unsolicited and offered infrequently;
- is reasonable in its value and scope;
- is customary and part of your normal business practices to accept or offer the item;
- does not impose or create the appearance of imposing a sense of obligation on either the giver or the recipient, and

- does not create the appearance that your business judgment can be influenced.

### Questions and Answers

I am thinking about starting my own outside business to bring in some extra income. Would this be a conflict of interest?

An outside business activity does not necessarily create a conflict of interest situation. If your outside business activity did not compete with SDI, and your participation in this business was accomplished outside your normal work hours and did not adversely impact your ability to do your job, this would probably not be a conflict of interest. However, you should review the matter with your supervisor before starting the activity.

I'm thinking about taking a potential customer to an exclusive resort. Would this be acceptable?

If the purpose of this activity is to help build a good working relationship with the potential customer, then it would be acceptable. However, the activity would be against company policy if it was (i) offered in return for securing the potential customer's business or (ii) an attempt to compromise the potential customer's ability to make objective and fair business decisions.

What are the guidelines if I have a relative who works for one of SDI's competitors?

There is nothing wrong with relatives (or other personal relations) working for competitors or suppliers. However, you should be doubly aware of any potential conflict of interest (e.g., there should be no discussion or exchange of sensitive information). If you sense the possibility of a potential conflict, disclose the situation to your supervisor.

### SDI INFORMATION, RECORDS, AND PROPERTY

SDI property including SDI information, equipment, funds, supplies, facilities and other assets, as well as services and labor of other SDI employees, must be used only for legitimate business purposes on behalf of SDI. Employees may not take for themselves personally opportunities that are discovered using SDI property or information or which arise due to their position at SDI. All SDI records must be kept fully and accurately, and SDI confidential information must be protected at all times.

**Confidential SDI Information:** During employment with SDI, employees will learn and be entrusted with confidential information relating to SDI's operations, financial condition, and potential transactions (including acquisitions). Some examples of information that is confidential include technical information, engineering data and calculations, financial information, business projections, personnel records, and any information that is marked confidential. Because this information has substantial value to SDI, employees must not disclose any confidential information, even inadvertently, to any unauthorized person in or outside SDI. *This obligation continues after your employment ends.*

**Maintaining Accurate Books and Records:** Each employee must maintain accurate and complete business records. It is against SDI policy, and in some circumstances illegal, for any employee to cause books and records to be inaccurate in any way. Some examples of prohibited record keeping include making the records appear as though payment were made to one person when in fact they were made to another, setting up unauthorized funds or accounts, and submitting expense accounts that did not accurately reflect the true nature of the expenses.

We must ensure that SDI provides full, fair and accurate, timely and understandable disclosure in all reports and documents filed with any governmental agency, as well as in all public communications and disclosures. Employees must immediately inform the General Counsel of any significant issues they become aware of relating to SDI's accounting or auditing policies or practices or our financial statements.

**Representing SDI:** No employee should, under any circumstances, act as a potential spokesperson for SDI in response to inquiries by the news media, financial analysts, or other similarly interested persons. Employees should not grant interviews or release statistical or printed information of any kind. If you are approached for information, you should politely forward all requests to the CEO.

**SDI Systems, Electronic Media, and Services:** SDI-supplied systems, including our computer systems, e-mail system, telephones, voice mail, fax machines, on-line services, and internet access belong to SDI and not to employees. Use of these systems for personal reasons in any manner that is abusive, excessive, or unauthorized (including the posting of confidential information on social media sites) is against SDI policy. *We reserve the right to monitor and audit each employee's use of SDI's systems (e.g., e-mail and the internet), as well as social media sites.*

Use of the computer systems to make, download, or forward discriminatory, harassing, derogatory, obscene, defamatory, threatening, or offensive remarks to other people is prohibited. In addition, downloading, transmitting, or creating, through the Internet or otherwise, material that is offensive or illegal because of characteristics such as race, sex, sexual orientation, or national origin is prohibited.

**Privacy of Personal Information:** Records containing information about employees, customers, investors, vendors, and suppliers must be kept confidential. Access to these records is limited to those employees with a specific need to use the information in the performance of their duties.

### Questions and Answers

My group is receiving new personal computers and printers. The local elementary school in my neighborhood could really use the old equipment. May I donate it to the school on SDI's behalf?

Though company equipment may be obsolete, there are other factors that must be considered before the company chooses to discard or donate it, such as accounting practices and corporate contribution policies. Therefore, check with your supervisor for initiation of a donation request before making a donation of company property.

If a supplier inadvertently leaves a document in my office that is related to a competitor's product, can I keep or make a copy of the document and share it with others to benefit SDI?

No. The document may be confidential and cannot be disclosed without proper authorization. Reviewing it would violate our policy and may lead to a lawsuit. Once such a document is discovered, it should be brought to the attention of your supervisor and the General Counsel.

### CONDUCT IN THE WORKPLACE

We are committed to providing a safe, diverse, and tolerant work environment, free of discrimination and harassment of all kinds. As an employee, you are expected to treat others with the same respect and dignity you wish for yourself. *No discrimination or harassment of any employee will be tolerated.*

**Equal Employment Opportunity:** We are committed to affirmatively provide equal employment to all qualified employees and qualified applicants without regard to race, color, ancestry, national origin, religion, sex, marital status, age, sexual orientation, legally protected disability, status in the US uniformed services, status as a disabled veteran, or on any other basis protected under applicable law.

Our policy of equal opportunity affects all employment practices including, but not limited to, recruitment, employment, assignments, training, compensation, benefits, promotions, transfers, layoffs, and termination. Employment decisions must be based solely on job-related experience or education requirements, an individual's qualifications, and the ability to perform the duties of the specific job.

**Sexual and Other Workplace Harassment:** We will not tolerate harassment in the workplace in any form or manner including, but not limited to, sexual harassment. We believe that all employees should enjoy a work environment that is free from discrimination, harassment, and intimidation. This applies to all of our employees, applicants, vendors, contractors, or guests.

Sexual harassment is behavior of a sexual nature that is not welcome by another and is personally offensive, debilitates morale, creates an intimidating, offensive, or hostile environment, or otherwise adversely affects the employment opportunities of our employees or interferes with work effectiveness.

Workplace harassment is verbal or physical conduct that adversely affects employment opportunities, creates an intimidating, offensive, or hostile environment, or interferes with an employee's work performance.

This policy applies to all SDI functions and all times and places where employees are functioning in a SDI-related activity or are required by SDI to be present.

SDI will investigate claims and, where appropriate, take corrective action. Any employee who believes that he or she is the subject of harassment should promptly inform the General Counsel. *Anyone employed by SDI who engages in harassment does so in violation of SDI policy and is subject to immediate termination for cause.*

**Violence in the Workplace:** The safety and security of our employees is very important. Threats or threatening behavior or acts of violence against employees, visitors, guests, or others by anyone on SDI property or while representing SDI will not be tolerated. *Violations of this policy will lead not only to disciplinary actions, which may include immediate termination for cause, but also to arrest.* Any employee who engages in violent behavior will be removed from the premises as quickly as safety permits and will not be allowed to return pending the outcome of an investigation.

### Questions and Answers

What if my supervisor starts to play favorites with job assignments and overtime, and I begin to feel discriminated against? What should I do?

You should tell your supervisor in clear and specific terms that you feel you have not been treated fairly in terms of job assignments and overtime. If you feel your supervisor has not responded to your concerns in a fair manner, take advantage of the other reporting channels available to you and identified in this Code.

If I had a manager that kept asking me out socially after work, even though I had no interest and had continually refused his invitations, what should I do?

Tell him no. You should immediately report the situation to Human Resources.

If I receive a call from another company requesting a reference check on a former SDI employee, how should I handle the call?

You should not provide any information, but should politely refer the caller to Human Resources. By establishing Human Resources as a clearinghouse for all reference requests, we can ensure that the information we release is accurate, authorized, and representative of the SDI's position.

## COMPLYING WITH LAW

Each employee must adhere to the letter and spirit of all laws and regulations in effect where SDI does business. We are each responsible for knowing the laws applicable to the performance of our job.

**Payments to Government Officials:** We must comply with the local laws of the countries where SDI operates. Almost all countries (including the US) have some form of domestic anti-bribery law, which prohibits companies, their employees, and representatives from offering, promising to pay, or authorizing payment of any money or anything of value to any government official, any political party or official, or any candidate for political office, for the purpose of influencing any act or decision of that official, party, or candidate in his or its official capacity.

Since 1977, the US Foreign Corrupt Practices Act (“**FCPA**”) prohibits bribery or unlawful payments to any official or employee of a foreign government or agency for the purpose of influencing decisions or obtaining or retaining business. However, international cooperation and focus on anti-corruption have seen the enactment of the UK Bribery Act 2010 and membership increases in conventions that denounce bribery and encourage the passage of pertinent laws (*i.e.*, 1998 Organization for Economic Cooperation and Development Convention on Combating Bribery of Officials in International Business Transactions).

To be clear, gifts or payments may not be offered or given on behalf of SDI to any government official, political party, or candidate for public office either in the US or abroad. These payments may be in violation of federal law, as well as the laws of other countries, and could result in the imposition of fines, imprisonment, or both.

***SDI requires full and absolute compliance with the FCPA by all of its employees, representatives, and distributors.*** If you become aware of any FCPA violation or potential violation, you must immediately notify the CEO and the General Counsel.

**Bribes and Kickbacks:** The bribery of persons who are not government officials in order to gain or retain business is generally referred to as “commercial bribery.” Most countries in which SDI operates have a variety of laws that prohibit commercial bribery. SDI and its employees are required to comply with all applicable laws including those related to commercial bribery. Therefore, we will not condone any payment by any employee to any third party that is in the nature of a kickback, bribe, or payoff made to secure any contract, concession, or other favorable treatment for SDI or its employees, regardless of whether the bribery involves government officials or private parties.

**Antiboycott:** In the mid-1970's, the US adopted antiboycott laws to counteract the participation of US firms and their foreign subsidiaries in boycotts or embargoes that the US does not sanction. These laws have the effect of preventing US firms from being used to implement foreign policies of other nations which run counter to US policy. The Arab League boycott of Israel is the principal foreign economic boycott that

US firms must be concerned with today. The antiboycott laws, however, apply to all boycotts imposed by foreign countries that are unsanctioned by the US.

*SDI is required to comply with all antiboycott laws and may have an obligation to report any attempt to require its participation as a condition of contract award.* If you become aware of any violation or potential violation of an antiboycott law, you must immediately notify the General Counsel.

**Governmental Investigations and Legal Actions and Proceedings:** SDI's policy is to cooperate fully with any governmental investigation and any legal action or proceeding. Appropriate handling of these matters is important for all of us as the laws regulating our business provide for civil and criminal penalties that may apply to SDI and its employees. If you receive a subpoena or any other legal document or are contacted by any person regarding a legal action, proceeding, or investigation that involves or may involve SDI, you must contact the General Counsel immediately.

Employees should never, under any circumstances, destroy or alter any SDI documents in anticipation of any investigation, action, or proceeding or in anticipation of a request for those documents from any governmental agency, court, or participant in any action or proceeding. In addition, employees should never lie, make any misleading statements, or attempt to cause any other SDI employee or any other person to fail to provide information or to provide any false or misleading information in connection with any investigation, action, or proceeding.

Any questions regarding the propriety of destroying or altering SDI documents should be referred immediately to the General Counsel.

**Fair Dealing:** We seek to outperform our competition fairly and honestly. Each employee should respect the rights of and deal fairly and honestly with SDI's suppliers, customers, competitors, and vendors. Stealing proprietary or confidential information or possessing trade secret information that was obtained without the owner's consent is prohibited.

**Political Contributions:** Generally, US and foreign laws prohibit corporations from making contributions or expenditures in connection with any election for political office. These laws also prohibit corporations from financially supporting political candidates. Political contributions include direct or indirect payments, advances, gifts of goods or services, subscriptions, memberships, purchase of tickets for fundraisers, and purchase of advertising space. No employee shall make any political contribution or other expenditure to any political organization or candidate for political office on behalf of or for the benefit of SDI.

**Antitrust and Competition Laws:** Antitrust and competition laws regulate SDI's relationships with its vendors, customers, and competitors. While these laws are complex and broad, generally, they prohibit agreements, arrangements, and activities that may have the effect of reducing competition. SDI is committed to free and competitive markets. No employee may enter into any agreement or arrangement, or engage in any activity, with vendors, customers, or competitors that may lessen competition.

**Health, Safety, and the Environment:** SDI is committed to protecting the health and safety of our employees and to environmental stewardship. *Working safely and protecting others and the environment are conditions of employment at SDI.*

## Questions and Answers

I will be attending a trade association meeting next month and I am curious about our chances for receiving a contract award. I would like to discuss this with other bidders who will be there. Is that all right?

No. You should not discuss bids, contract terms, or similar proprietary business information with employees of competitors. This might give others an unfair advantage, and it might create an antitrust problem. Don't initiate such conversations or respond to any outside inquiries.

Is it permissible for a business representative to entertain a government decision maker by taking her on an extravagant outing in an effort to speed up a decision on a matter?

Generally the law prohibits any payment, whether direct or, as in this case, indirect, whose purpose is to influence a government employee's behavior. The company, the business representative, and the government decision maker could all be prosecuted for bribery, if the offer were made and accepted.

Several of my co-workers and I strongly support a certain political candidate. May we work together to support this candidate?

Yes. SDI encourages participation in the political process. However, you may not use company funds, equipment, or materials to support the candidate, claim to represent the company's opinions or views of a candidate or issue, and you may not engage in political activities while you are on the job.

We will be attending a foreign trade show and have shipped our product displays from the United States. What if we experience unusual delays in getting our displays released by the customs officials of the foreign country? I'm told it is customary in this country to pay \$100 to speed up processing of the customs document. Would this be proper?

In some foreign cultures, it is customary and necessary to make payments called facilitating payments. These payments are for expediting routine governmental actions such as obtaining a permit or visa. In some cases, these payments may be illegal or improper. You are expected to use prudence when making facilitating payments, and you should contact the General Counsel if you have any questions or need advice.

## **RIGHTS RESERVED**

This Code is for the exclusive use of SDI. No part of this Code may be reproduced in any form by any means without SDI's prior written consent.

## **POLICY TERMINATION**

SDI reserves the right to amend, modify, revoke, suspend, or terminate this Code, in whole or in part, at any time with or without notice.

***THE ACKNOWLEDGMENT ATTACHED TO THIS CODE MUST BE SIGNED AND RETURNED. FAILURE TO SIGN AND RETURN THE ACKNOWLEDGMENT MAY RESULT IN SUSPENSION WITHOUT PAY OR TERMINATION.***

