



HAZARD CONTROL TECHNOLOGIES, INC.
FIRE, VAPOR, AND CONTAMINATION CONTROL SOLUTIONS

North American Distributor Program Overview



2009 North American Distributor Program Overview

Distributor Program Objectives

Due to the wide variety of HCT Products, Markets, and end use applications for the Products, the Hazard Control Technologies, Inc. (HCT) North American Distributor Program is designed to:

- Match the appropriate HCT Products and Markets with the Distributor's expertise and market access. Distributor Partners work closely with HCT Sales Department Personnel to define which HCT products and markets the Distributor will market and sell (HCT Product/Market Line Card) coupled with what geographic area (Territory) the Distributor will operate within that meets the needs of both parties.
- Formalize the business relationship, based on a mutual understanding of products, markets, market penetration, expectations, and growth objectives.
- Provide a Tier Level, Performance Based, Distributor Program, which allows a distributor to pick the tier that meets their needs and virtually allows the distributor to position their organization in the appropriate tier based on their performance.
- Position the distributor with competitive market pricing for HCT chemical agents and/or equipment products.
- Provide hands-on training, marketing materials, technical information, sales support, product demonstration assistance, and demonstration product support needed to be successful selling HCT products and systems.
- Reward distributors who meet or exceed their targets with financial incentives which are proportionally applied to HCT product purchases, as well as individual or cooperative marketing activities.
- Eliminate or manage under-performing distributors; thereby, ensuring that successful distributors who are performing and getting the job done have better access to the market place in their particular geographical territory.

Distributor Program Overview

Hazard Control Technologies, Inc. Distributor Program is a two (2) tier program consisting of Distributor Level 1 (D1) and Distributor Level 2 (D2). The main difference between Level 1 and Level 2 Distributor Partners is that more is expected and committed from a Level 1 Distributor Partner in exchange for better pricing, better incentives, and 1st lead:

- Distributor Purchase Price – While both Level 1 and Level 2 Distributors receive standard pricing, Level 1 Distributors purchase HCT Products at the lowest available price, while Level 2 Distributors purchase HCT Products at a higher but still market competitive price.
- Initial Stocking Inventory – While both Level 1 and Level 2 Distributors are required to make an initial stocking inventory purchase to become a distributor of HCT Products, the initial stocking inventory purchase requirements are greater for the Level 1 Distributor versus a Level 2 Distributor; hence, the better pricing for Level 1.
- Customer Service – While both Level 1 and Level 2 Distributors are expected to provide high quality customer service, Level 1 Distributors are expected to purchase HCT Chemical Agent Products in full pallet quantities, ship HCT Products to their facility (or drop ship direct to the customer in the case of full pallet quantity), and fulfill customer orders from the Distributor's Inventory. Level 2 Distributors will typically not stock HCT Products (other than Initial Stocking Inventory) or stock lesser quantities of HCT Products and, most likely, drop ship less than pallet quantities direct from HCT inventory.
- Target Incentive Program – While both Level 1 and Level 2 Distributors may participate in the Target Incentive Program, in addition to the better pricing, Level 1 Distributors who achieve their Incentive Revenue Targets receive better year end incentive than Level 2 Distributors.
- Leads - While both Level 1 and Level 2 Distributors receive client leads and referrals from HCT, the leads for any given Market and Geographic Area are referred in a specific order with Level 1 Distributors with the highest credit rating getting 1st opportunities at the client leads.

New Distributor - Initial Tier Placement

Upon approval by HCT Management, new Distributor Applicants work closely with HCT Sales Department Personnel to define what HCT products and Markets the New Distributor will sell (HCT Product/Market Line Card), coupled with what geographic area (Territory) the New Distributor will operate within that meets the needs of both parties. After the Product Line, Markets, and Geographic Territory are defined, the New Distributor virtually has the option to pick the Distributor Tier Level that fits their business needs by meeting the Initial Stocking Inventory Requirement to be placed in that Tier:

Level 1 Distributor Partner – Initial Stocking Inventory Requirements		
Territory Size (Population)	Initial Purchase Requirement	Minimum Configuration
0-10,000,000	1 Pallet	1 Pallet (48 pails) F500-005G
10,000,001 – 20,000,000	1.5 Pallets	1 Pallet (48 pails) F500-005G <i>and either</i> ½ Pallet (24 pails) F500-005G <i>or</i> another HCT chemical agent
20,000,001 – 30,000,000	2 Pallets	1 Pallet (48 pails) F500-005G <i>and either</i> 1 Pallet (48 pails) F500-005G <i>or</i> another HCT chemical agent.
30,000,001 – Over	4 Pallets	2 Pallets (96 pails) F500-005G <i>and either</i> 2 Pallets (96 pails) F500-005G <i>or</i> another HCT chemical agent.

Level 2 Distributor Partner – Initial Stocking Inventory Requirements		
Territory Size (Population)	Initial Purchase Requirement	Minimum Configuration
0-10,000,000	1/2 Pallet	1/2 Pallet (24 pails) F500-005G
10,000,001 – 20,000,000	3/4 Pallet	3/4 Pallet (36 pails) F500-005G <i>Can be an assorted mix with other HCT chemical agents</i>
20,000,001 – 30,000,000	1 Pallet	1 Pallet (48 pails) F500-005G <i>Can be an assorted mix with other HCT chemical agents</i>
30,000,001 – Over	2 Pallets	2 Pallets (96 pails) F500-005G 1 Pallet <i>Can be an assorted mix with other HCT chemical agents</i>

Once the New Distributor selects the Tier Level that fits their business model, the HCT Product/Market Line Card, and Geographic Territory is defined, the HCT Sales Department determines the Incentive Revenue Target and Tier Level Target.

Incentive Revenue Target – This represents the targeted annual sales of HCT Products within the Distributors' territory based on Distributor's Product/Market Line Card and Geographic Territory. In general, the Incentive Revenue Target can be described as size of market, a dollar amount/per capita based on HCT historic sales figures and population densities adjusted by various factors such as customer base, market access, competitive products, local affiliations, and size of sales force. Those Distributor Partners who meet the Incentive Revenue Targets receive year end incentive credits that are applied to product purchases and cooperative advertising and marketing as defined in the North American Distributor Program.

Tier Level Target – This represents a threshold target which is calculated by the Incentive Revenue Target multiplied by Distributor's Experience Factor (a reduction factor based on years of affiliation/experience with HCT Product) and is utilized to determine the Distributor's year end Tier Level. Those distributors who achieve less the 70% of the Tier Level Target are subject to being lowered into the next lower Tier.