

**Healthy Buildings International Inc.  
TI-Modified Five Year Plan**

October 4, 1989

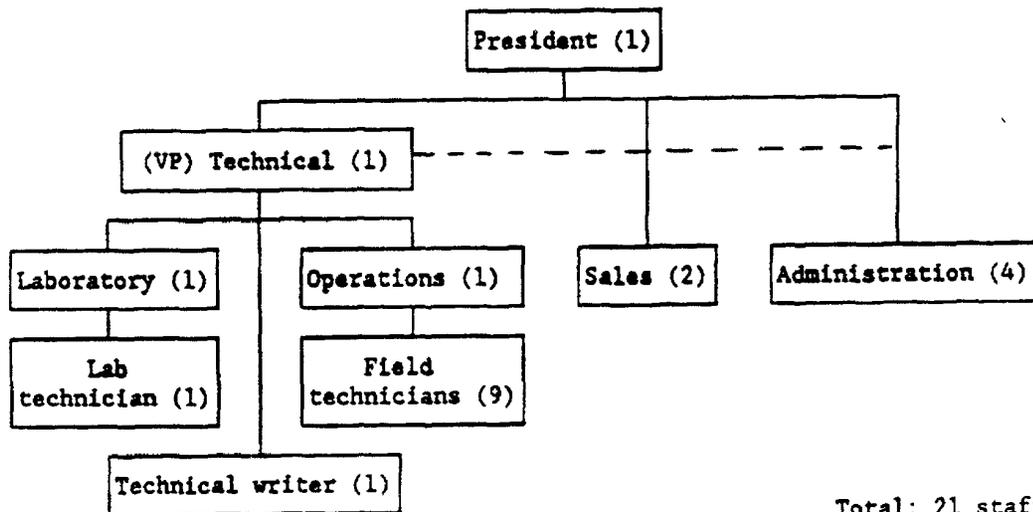
**Strategic Objectives**

In order to secure the company's niche in the American marketplace and to ensure continued growth, the management of Healthy Buildings International (HBI) has formulated a number of long-range strategic objectives:

- Establish HBI as the preeminent authority in the field of indoor environmental quality.
- Clarify, focus, and amplify the public's awareness both of the problems endemic to today's indoor environment, and of the role of HBI in solving them.
- Expand the HBI Inc. organization across the United States by developing an enduring network of branch offices.
- Successfully anticipate the needs of the ever-widening market for indoor environmental services and products by engaging continually in technology refinement and development.
- Provide a substantial increase of manpower availability to the tobacco industry for presentations, conferences, expert witness work, etc.
- Create a technically trained staff to promote work place smoking policies in the various regions that is independent of TI, but shares the goals of TI.

**1.0 Organizational Structure**

The home office is now established in Fairfax, Virginia. The management structure of this office is:



Total: 21 staff

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**2.0 Regional Offices**

Branches to be opened in the next five year period are to be targeted for the following regions:

- 2.0.1 **Northwest** -- Office to serve Northern California, Washington, and Oregon. Location to be either San Francisco, Portland, or Seattle.
- 2.0.2 **Southwest** -- Office to serve Southern California and Nevada. Location in San Diego or Los Angeles.
- 2.0.3 **Midwest** -- Office to be in Chicago, Minneapolis, or Detroit.
- 2.0.4 **South Central** -- Office to be in Dallas/Fort Worth.
- 2.0.5 **Northeast** -- Office to be in Hartford, Boston or New York.
- 2.0.6 **Southeast** -- Office to be in Atlanta, Tallahassee, or Jacksonville.

**2.1 Location and Size of Office**

Initially each office will be a modest two room affair in a business center using shared facilities for reception, secretarial services, fax, copy room etc. This low-cost facility will be maintained until local business volume justifies a move to larger and more permanent facilities.

The offices will be planned around the acquisition of a high calibre sales professional who will be recruited and appointed as a Regional Sales Manager and General Manager designate. The individuals chosen must have the necessary talents for public speaking and an ability to handle the media. The function of the Regional Sales Manager will be threefold:

- 2.1.1 To sell HBI inspection and monitoring services in his designated area.
- 2.1.2 To support regional tobacco industry staff as expert witnesses, conduct indoor air quality presentations, etc.
- 2.1.3 To offer solutions to questions of work place smoking policies following the rationale of Covington and Burling, John Fox, etc. from a legal perspective and HBI from technical viewpoint.

The early sales of inspection and monitoring contracts can be secured by travelling head office staff. Then, as soon as the sales volume justifies the need for further technical staff, a Technical Supervisor (Technical Manager Designate) will be recruited. Ideally, such staff will be from promotion from the head office technical pool.

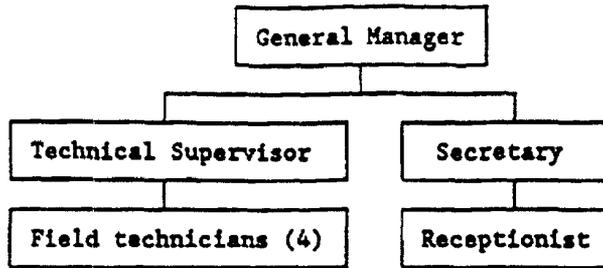
Progressively over the next 18 months, the regional office should build up to a autonomous profit center with a staff of eight people, the organization of each regional office at that time will be:

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**Total: 8 staff**

**2.2 Recruitment and Salaries**

The staff advertising and recruitment of the six regional managers will be entrusted to a professional recruitment agency. An initial salary of up to \$60,000 plus a car will be supplemented by a profit sharing scheme plus an incentive bonus package.

The existing profit sharing plan pays from 0% to 15% of annual salary to each employee depending on overall company profits. As an incentive to the regional offices, a further bonus will be paid to the regional general manager and the technical supervisor based on the following schedule:

- 2.2.1 Profit performance below the forecast figures for the relevant regional office -- nil.
- 2.2.2 Realizing the annual forecast profits for the region will qualify the general manager and technical manager to receive 7% and 3% of those profits respectively.
- 2.2.3 Any profits in excess of the annual budget will result in further bonuses of 21% and 9% of those excess profits to the general manager and technical manager respectively.

**3.0 Timetable**

- 3.1 Month 1 -- Select staff recruitment agency and specify requirements and preferred locations of first two regional managers.
- 3.2 Month 3 -- Recruit first two regional managers and commence three month induction training in Fairfax and in the field with HBI technicians.
- 3.3 Month 5 -- Agency searches for recruits three and four.
- 3.4 Month 6 -- Locate and secure regional offices for recruits one and two.
- 3.5 Month 7 -- Start-up of regional offices one and two and recruitment of third and fourth staff for three month training.
- 3.6 Month 9 -- Agency searches for recruits five and six.
- 3.7 Month 10 -- Locate and secure regional offices for recruits three and four.

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- 3.8 Month 11 -- Start-up of regional offices three and four and recruitment of fifth and sixth staff for three month training.
- 3.9 Month 14 -- Locate and secure regional offices for recruits five and six.
- 3.10 Month 15 -- Start-up of regional offices five and six.
- 4.0 Costs of each Regional Office
- 4.1 Staff Recruitment Fees
- |                             |              |
|-----------------------------|--------------|
| Agency fee (25% salary)     | \$ 15,000    |
| Advertising                 | 5,000        |
| Interview, expenses, travel | <u>3,000</u> |
|                             | \$ 23,000    |
- 4.2 Staff Salaries
- |   |              |
|---|--------------|
| Regional Manager  | \$ 60,000    |
| Payroll benefits  | <u>9,000</u> |
| Other staff only recruited as work and income justifies same. | \$ 69,000    |
- 4.3 Travel
- |                                   |               |
|-----------------------------------|---------------|
| Vehicle cost, lease and running   | \$ 5,000      |
| Three months training in Fairfax: |               |
| Travel estimate                   | 3,000         |
| Hotels (three month estimate)     | <u>10,000</u> |
|                                   | \$ 18,000     |
- 4.4 Office Cost
- |                         |              |
|-------------------------|--------------|
| Office rental costs     | \$ 10,000    |
| Office secretarial etc. | 10,000       |
| Phones, fax etc.        | <u>5,000</u> |
|                         | \$ 25,000    |
- 4.5 Technical Equipment Cost
- |   |           |
|---|-----------|
| Completes inventory of instruments and field equipment to equip to two-man technical team per office. | \$ 25,000 |
|---|-----------|
- 4.6 Total Costs Per Office
- |   |            |
|---|------------|
| Cost of hiring, training, start-up and support of each office for twelve months (sum of items 4.1 through 4.5). | \$ 160,000 |
|---|------------|

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**PROPOSAL**

For the sum of \$120,000 per region payable in one down payment of \$24,000 followed by twelve monthly installments of \$8,000, HBI will, according to the above timetable:

- Open from one to six regional offices of HBI in locations mutually agreed to by TI and HBI.
- Train the regional managers to represent both HBI and TI interests in their regions.
- Throughout the first year period HBI will provide expert testimony, public relations or general consulting services in that region for up to eighty-four (84) man days per year without charges other than travelling and accommodation expenses.
- Throughout the first year period HBI will represent TI interests in providing consulting services to companies desiring to implement smoking policies. TI to channel to the HBI regional offices the various leads received by TI requesting help in this area.
- In the second and subsequent years of operation, TI can renew the on-going consulting services from each regional office for a monthly fee of \$6,000, which still provides up to 84 man days per year without charge other than direct expenses.