

ENAGIC
AUSTRALIA PTY LTD



Policies and Procedures

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Enagic Australia Pty Ltd

Policies & Procedures

1. **Introduction.** Enagic Australia Pty Ltd (ABN 64 141 931 919), hereinafter the "**Company**", is a direct selling company marketing consumer products and services to the consumer through independent distributors. The policies and procedures herein are applicable to all independent distributors of the Company.
2. **Who is a Distributor?** A distributor is a person or entity that:
 - (a) is referred to the Company by an existing distributor;
 - (b) completes an application to become a distributor;
 - (c) agrees to comply with these policies and procedures; and
 - (d) is accepted by the Company as a distributor.

The Company reserves the right to accept or reject any person or entity as a distributor.

3. **Grounds to Deny Distributorships.** Without limiting the right of the Company to accept or reject any person or entity as a distributor, the Company may reject a person or entity if the person is:
 - (a) a member or associate of an illegal syndicate;
 - (b) related to a member or associate of an illegal syndicate;
 - (c) an adult under the care of a guardian;
 - (d) a declared bankrupt; or
 - (e) in any other way deemed unfit by the Company to be its distributor.

4. **Individuals as Distributors.** All individuals who are distributors must be at least 18 years of age and must not be a student. Unless waived in writing by the Company upon application, the Company will consider each domestic couple (each a "**spouse**") as a single distributor. Each spouse in a domestic couple may sponsor each other directly, but may not be sponsored in different distribution lines (as are more fully explained in the Company's Distribution Level and Commission Structure documentation). If one spouse is already a distributor, the nonparticipating spouse may elect to become a distributor, but must join the same distributorship as his or her spouse, or be directly sponsored by his or her spouse.

Should a domestic couple operating as a distributor separate, they should notify the Company as to how the distributorship is to be managed thereafter. Otherwise, the Company will either:

- (a) recognize the final judicial or adjudicatory disposition of the distributorship (see clause 10 below); or
- (b) if no judicial or adjudicatory disposition is made as contemplated by paragraph (a) above, determine itself how the distributorship is to be managed.

Members of distributor's household may operate more than one (1) distributorship provided that the distributors are within the same distribution line. Members of a distributor's household may not operate distributorships in separate distribution lines. Household is defined as Spouses, and dependents.

Note: Children of legal age to contract and at least 18 years of age are not considered a part of their parent's household.

The Company recognizes that members of the same household may belong to competing direct selling opportunities. Although the actions of the parties are normally in good faith, in some circumstances, non-Company distributor household members may engage in recruitment, solicitation or raiding of the Company sales organization. Since the household member that has an ownership interest (in this context the household member who first introduced the co-household member to the Company) in the Company distributorship is in the best position to be responsible to prevent raiding or cross-sponsoring activity by their co-household member, the cross recruiting activity of the non-company household member shall be attributed to the Company distributorship, subjecting the distributorship to discipline or termination.

5. **Non-Individuals as Distributors.** Subject to section 6 below, a company, partnership or entity may apply to be a distributor. The Company reserves the right to approve or disapprove distributor's change of business names, formation of partnerships, corporations, and trusts for tax, estate planning, and limited liability purposes. Proper and complete documentation, including Certificates of Company and/or Business Name Registration must be supplied with the application. It is prohibited to make change to attempt to circumvent or violate Company rules on raiding, solicitation, targeting, cross- sponsoring or interference (see section 34 below).
6. **Owners to Grant Entity Guarantee.** Although distributors may be approved by the Company to conduct their distributorship as a corporate, trust or partnership entity, those entities are under the control of its owners and principals and the actions of those individual owners or principals may affect Company's business. Therefore, it is agreed that actions of the distributor's shareholders, officers, directors, trustees, beneficiaries, agents, employees or other related or interested parties shall be deemed to be the actions of distributor.

If the owners and/or principals of the distributor change, the new and/or remaining owners and/or principals will remain liable for the actions of the distributor.

7. **Multiple Distributorships.** When an existing distributor is willing to open an additional distributorship, this account must be opened under its existing account or under its sponsor's account. In other words, the existing distributor must open the additional distributorship within the same distribution line.

Individual Interests in Multiple Distributors: No individual may participate in more than three (3) distributorships in any form without express written permission from the Company. Only in the most extreme and extraordinary circumstances will such permission be granted.

Corporate Interests in Multiple Distributors: An entity (corporate) owner can have up to five (5) distributorships in the Company, as long as they are within the same distribution line.

8. **Compliance of Distributors.** Distributors shall comply with:

- (a) the terms of these Policies and Procedures;
- (b) all other policies and procedures as notified by the Company from time to time; and
- (c) all applicable laws.

In addition, the distributor must not engage in any act that disturbs the public order.

9. **Nature of Distributors.** Distributors are independent sales and marketing representatives of the Company and are not to be considered purchasers of a franchise or any other business. The agreement formed between the Company and each distributor by the approval of the Company of the application to become a distributor and these policies and procedures does not create an employer/employee relationship, agency, partnership, or joint venture between the Company and the distributors. To the maximum extent permitted by law, each distributor shall hold harmless the Company from any claims, damages or liabilities arising out of distributor's business practices except to the extent that those business practices have been undertaken by the distributor at the express direction of the Company. Company distributors have no authority to bind the Company to any obligation. Each distributor is encouraged to set up its own hours and to determine its own method of sale, so long as the distributor complies with the policies and procedures of the Company.

The Company's sales program is built upon retail sales to the ultimate consumer. However, the Company also recognizes that distributors may wish to purchase products or services in reasonable amounts for their own personal or family use. For this reason, a retail sale for bonus purposes (in this context, a retail sale that entitles the distributor to receive a commission) shall include sales to non-participants, as well as sales to distributors for personal or family use which are not made for purposes of qualification or advancement. Distributors are sales and marketing representatives and are not resellers of the Company's products or services. Distributors may obtain orders from retail customers or place orders themselves for personal use. Distributors must submit those orders to the Company who will contract directly with the relevant customer and will collect payment and fulfill the relevant order. Accordingly, the Company's products and services are not for resale. The Company will sell its products and services to customers (who may be introduced to the Company by distributors) at prices determined by the Company. Accordingly, a distributor must not:

- (a) purchase products or services for resale;
- (b) purchase any quantity of products or services for the sole purpose of qualifying for commission or advancement in the Company's distribution program;
- (c) advertise for sale any of the Company's products or services at prices which deviate from the Company's official price list; and/or
- (d) advertise, offer or provide a customer with a rebate or other consideration to facilitate a lower customer price for any of the Company's products or services.

In all cases, any reference the distributor makes to itself must clearly set forth the distributor's independent status. For example, if the distributor has a business telephone, the telephone may not be listed under the Company's name or in any other manner which does not disclose the independent

contractor status of the distributor.

10. Change in Status.

Marriage: Two distributors who marry after having established their own individual distributorships may continue to operate their existing distributorships.

Separation: Should a distributorship who is a domestic couple separate, they agree to notify the Company as to who will assume responsibility for the distributorship in one of the following manners:

- (a) Written agreement signed by both parties indicating who will retain the distributorship;
- (b) A court order delineating who receives custody over the distributorship; or
- (c) Both parties may choose to retain their joint distributorship and operate it as a partnership.

The separated distributor may apply for a new distributorship without having to wait 6 months.

Death: Upon the death of a distributor, the Company may agree that the rights and responsibilities of the distributorship may be passed on to the rightful, legally-documented heir as long as that heir has filled out a new distributor application and has submitted it together with a copy of death certificate of the deceased distributor. Passing of a distributorship in this manner is at the sole discretion of the Company.

Disability: Should a distributor become disabled to the extent that he/she can no longer fulfill the required duties of a distributor, the legal representative of that distributor shall:

- (a) Contact the Company within thirty (30) days of the disability and advise the Company of the distributor's status and the plans for future management or cancellation of the distributorship;
- (b) Provide a court-confirmed copy of appointment as legal representative; and
- (c) Provide a court-confirmed copy of document establishing right to administer the distributorship.

Should the legal representative plan to continue the business of the distributorship, then he/she shall fill out a new distributor application (which may be accepted by the Company in its sole discretion), return policy and receive the required training consistent with the disabled distributor's level at the time of disability. These requirements shall be satisfied within a deadline of six (6) months of the disability. Conduct of the distributorship by the legal representative as contemplated by this provision is subject at all times to applicable law (including with respect to legal capacity of the legal representative in connection with the conduct of the distributorship).

11. Change from Individual to Entity or Change in Entities. A distributorship may change status under the same sponsor from individual to partnership or corporation or from partnership to corporation with proper and complete documentation.

To form a new distributorship as a partnership or corporation or to change status to one of these forms of business, a distributor must request a change request form from the Company. This form must be submitted detailing all partners, stockholders, officers or directors in the partnership or corporation. The partner or officer who submits the form must be authorized to enter into binding contracts on behalf of the partnership or corporation. In addition, by submitting the partnership/corporation form, the individual certifies that no person with an interest in the business has had an interest in a

distributorship in the period of three (3) months prior to the submission of the form (unless it is the continuation of an existing distributorship that is changing its form of doing business).

12. **Sale or Transfer.** A distributor may not sell, assign or otherwise transfer his or her distributorship, marketing position or other distributor rights without written application and approval by the Company. This paragraph is also applicable to transfer of any interest in an entity that owns a distributorship, including but not limited to a corporation, partnership, trust or other non-individual entity. The potential buyer must be at the equivalent or higher rank as the selling distributor or have been a Company distributor for at least a one-year period prior to the sale. The distributorship must be offered in writing first to the distributor's sponsor. If the sponsor declines the offer, the distributor may offer the distributorship for sale to other qualified distributors, but only on the same terms and conditions as offered to the sponsor. A distributor who sells his or her distributorship shall not be eligible to re-qualify as a distributor for a period of at least six months after the sale.

A distributor may not add a co-applicant to their distributorship and thereafter, remove their name from the distributorship, as an effort to circumvent the Company's sale, assignment, and delegation or merger procedures. The primary distributor must wait twelve (12) months after adding a co-applicant to the distributorship before they are allowed to remove their name from the distributorship. It is prohibited to use a sale or transfer to attempt to circumvent Company policy on raiding, soliciting, cross-sponsoring or interference.

For the Restraint Period within the Restraint Area, a distributor agrees that he/she shall not, directly or indirectly, disrupt, damage, impair or interfere with the business of the Company, whether by way of interfering with, or raiding its employees or distributors, disrupting its relationship with customers, agents, representatives, distributors, suppliers, vendors or manufacturers or otherwise. "Disrupting" or "interfering" shall include, but not be limited to, direct or indirect solicitation or recruitment for other direct selling business opportunities or products or services of other direct selling companies. A distributor seeking to sell or transfer his/her distributorship must reconfirm their agreement to this provision prior to the finalization of the sale or transfer of their distributorship.

In this provision:

Restraint Area means

- (a) Australia;
- (b) New South Wales, Victoria and Queensland;
- (c) New South Wales.

Restraint Period means the period commencing on the date of sale or transfer and ending on each of the following dates:

- (d) 12 months from the date of sale or transfer;
- (e) 6 months from the date of sale or transfer;
- (f) 3 months from the date of sale or transfer.

13. **Cancellation by the Distributor.** The distributor may cancel its distributorship at any time and for any reason by notifying the Company in writing of its election to cancel. All cancellations are accepted and effective as stated. As of the effective cancellation date, the distributor loses all privileges of leadership and down line organization, and is no longer eligible for any commissions, bonuses or prizes. Following the cancellation date, the distributor cannot advertise, sell or promote the Company products or purchase product from the Company.

The cancelling distributor's down line organization automatically transfers to his/her immediate up line. The resigning distributor must wait six (6) months to be eligible to be sponsored again as a Company distributor, either as an individual or as an interested party in another legal entity.

14. **Sponsorship.** All distributors have the right to sponsor others. In addition, every prospective distributor has the ultimate right to choose its own sponsor. If two distributors should claim to be the sponsors of the same new distributor, the Company shall determine in its discretion which distributor is entitled to be considered to the sponsor.

As a convenience to its distributors, the Company may provide various method of registering or informing the Company of newly sponsored distributors, including facsimile registration and such other registration processes the Company may make available from time to time. Until such time as the Company receives an application containing all appropriate information, as well as the signature of the proposed new distributor, the Company will only consider the incomplete registration in the category of "intended" registration. Thus, although the Company is attempting to create some convenience for its sponsoring distributors, it is the responsibility of the sponsoring distributor to cause delivery to the Company of a completed distributor application form if the sponsor is to expect recognition as the official sponsoring distributor.

There is no "magic" involved in the Company or in any business. Those who sponsor widely but who do not help new distributors develop their business meet with limited success. Therefore, it is the distributor's responsibility to follow through and make sure the new distributor is properly informed and trained in the areas of the product, the compensation plan, the policies and procedures and any applicable professional guidelines of the network marketing industry (including the Direct Selling Association of Australia's code of conduct).

When soliciting a prospective distributor to join the Company's network program, the distributor must clearly explain the following:

- (a) products (including type, performance and quality of each product);
- (b) compensation plan;
- (c) policies and procedures;
- (d) distributor's rights and duties; and
- (e) other important items that will affect the judgment of the prospective distributor.

15. **Income Claims.** No income claims, income projections nor income representation, nor showing of commission nor showing of commission statements/cheque may be made to prospective distributors. Any false, deceptive or misleading claims regarding the opportunity or product/service are prohibited. In their enthusiasm, distributors are occasionally tempted to represent hypothetical income figures based upon the inherent power of network marketing as actual income projections. This is counter-productive, since new distributors may be quickly disappointed if their results are not as extensive or as rapid as a hypothetical model would suggest. The Company believes firmly that the income potential is great enough to be highly attractive in reality without resorting to artificial and unrealistic projections.
16. **Supervision by sponsors.** Any distributor who sponsors other distributors must perform a bona fide supervisory, marketing and selling function in the marketing of the Company's products or services to the ultimate consumer and in the training of those sponsored. Distributors must have ongoing contact, communication and management supervision with their sales and marketing organization. Examples of such supervision may include, but are not limited to, written correspondence, personal meetings, telephone contact, voice mail, electronic mail, training sessions, accompanying individuals to Company training, etc. Distributors should be able to provide to the Company annually proof of ongoing fulfillment of their sponsor responsibilities.
17. **Transfer of Sponsorship.** Transfer of sponsorship is rarely permitted and is actively discouraged. Maintaining the integrity of sponsorship is absolutely mandatory for the success of the overall organization.

Transfers will generally be approved in two (2) circumstances only:

- (a) In the case of unethical sponsoring by the original sponsor. In such cases, the Company will be the final authority; and/or
- (b) Resigning from the Company entirely and waiting six (6) months to reapply under the new sponsor.

In cases of unethical sponsoring, the distributor may be transferred with any down lines intact; in all other events, the distributor alone is transferred without any down line distributors being removed from the original line of sponsorship.

18. **Identification.** Each distributor must identify himself or herself by name and Company ID number to the prospective customer.
19. **Explanation of Products.** A distributor shall clearly explain the features of each product to the prospective customer.
20. **Provision of Required Documentation.** The distributor shall provide necessary documentation to the prospective customer. The distributor must provide the Company's:
 - (a) "Policies and Procedures";
 - (b) "Product Order Form"; and
 - (c) "Product Return Policy",to the prospective customer.

21. **Use of Customer's Name.** The distributor must not use the prospective customer's name in the "Product Order Form" unless the customer has consented to the "Product Order Form" being completed and submitted to the Company.
22. **Provision of False Information.** Distributors should never provide false information in order to encourage a customer to place an order for the Company's products or services or to prevent the customer from cancelling such an order.
23. **Discounts and Concessions.** The Company offers no sales discounts or other concessions and the distributor may not offer either. Any discounts offered by distributors may be grounds for termination.
24. **Email Solicitation.** Distributors must comply with all applicable anti-spam legislation. Further, it is specific Company policy to prohibit unsolicited email (spamming) or information by facsimile relating to the Company's opportunity and products and services. The Company has a zero tolerance policy of spamming practices. Distributors who violate the Company's "no spam policy" are subject to termination, suspension or disciplinary action.
25. **Telephone Solicitation.** The use of the Company's name or copyrighted materials may not be made with automatic calling devices or "boiler room" operations to solicit distributors or retail customers.
26. **Transaction Submission Integrity.** It is essential to the success of the Company, its distributors and customers that distributors maintain integrity of communication between the Company and distributors. Accordingly, all orders and other documentation submitted to the Company (including, but not limited to, distributor applications, distributor communication, distributor transactions and consumer transactions) must be submitted by the distributor involved in the transaction. Third party submission of any orders or other documentation is prohibited. A distributor should not communicate any transaction submissions on behalf of another distributor or distributor applicant. A distributor may not use his or her credit card or bank account on behalf of another individual or distributor, except as allowed for as an alternate payer. This rule is applicable to any and all forms of transactions submissions, including, but not limited to, online, telephone, fax, email, etc.
27. **Cooling Off Period.** Notwithstanding the Company's longer retail customer guarantee policy, all retail sales must comply with the 'Ten-Day Cooling Off' Rule which requires statutory language and notice of cancellation on the retail sales receipt. The ten-day right of cancellation must be orally explained to the customer and customer must receive a copy of the notice of cancellation form.
28. **Commission Recuperation.** The Company shall be entitled to repayment of any commission previously paid on a sale of product/service if the product/service purchase is cancelled or reversed or a refund paid for a terminated purchase. The Company shall recover the commission by adjustment on the distributor's next payment. In the event that no commission is available for adjustment, the distributor who has received the commission shall repay the commission paid on the "reversed sale" within 30 days of the Company's notice to repay.
29. **Taxes.** Commissions paid by the Company to distributors are inclusive of GST. Each distributor is responsible for paying local, state and federal taxes due on the distributor's earnings from commissions or any other earnings generated as a seller of Company products and services. Each distributor is responsible for remitting GST payments. The Company does not perform any withholding tax services

nor is the Company responsible for unpaid taxes on behalf of independent distributors. Accordingly, each distributor shall comply with all requirements in respect of paying all applicable local, state and federal taxes. The Company will comply fully with any court order or instruction/demand by any government taxing authorities within Australia that orders, instructs or demands the withholding of a distributor's earnings from its distributorship with the Company.

30. **Sales through Retail Establishments.** Company products or services may only be displayed and sold in retail establishments where the nature of the business is to make appointments with customers (such as salons, doctor's offices, and health clubs where appointments are made for personal training or classes are scheduled) the sale of such products or services within such retail facilities must be conducted by a distributor and must be preceded by a discussion where the distributor introduces the prospect to the products or services and opportunity just as they would if they had met outside of the retail facility. Company produced literature, banners, or signage only may be displayed on a shelf, counter, or wall and must be displayed by itself. Products or services may not be sold from a shelf or taken from a display for purchase by a customer. Company products or services may not be sold in any retail establishment, even by appointment, if competitive products or services are sold in the establishment. From time to time, the Company may announce policies and rules that expand or contract restrictions on sales in retail establishments.
31. **Sales through Internet Sites.** Except with the Company's prior written authorization, a distributor may not sell nor promote Company products on unauthorized Internet sites, including, but not limited to, auction sites such as eBay, nor internet shopping sites, nor internet malls. A distributor that has obtained authorization for his or her website must obtain fresh authorization before making any material change to the website.
32. **Sales of Bottled Kangen Water™.** Distributors are strictly prohibited from making any sales in which a person receives water, bottled or otherwise from one of the Company's products. No "donations" or other sums may be collected for the distribution of Kangen Water™. Charging customers due to the use of electricity, general usage of the machine, or the use of any containers are also prohibited. These are considered to be business expenses, and therefore should be paid by the distributor, and not by the customer. Any violation of this section will constitute grounds for commission suspension and/or termination of distributor status.
33. **Competing Water Treatments.** The signature product of the Company is one which involves water treatment relating to purification and adjustment of alkaline content. This signature product is fundamental to the branding and image of the Company. Accordingly, it would undermine the basic distributor relationship if distributors marketed water treatments, water filtrations or alkaline water conversion products which compete with the Company's products or services. Therefore, so long as a distributor desires to maintain distributor status, although distributors are free to sell, within the guidelines of the Company's policies, products of third party vendors, the distributor must not sell or market any water treatment, water filtration or alkaline water conversion products that are similar to the products sold by the Company. Violation of this provision may result in termination of the distributorship.

34. **Raiding and Cross-Solicitation of Products or Other MLM and/or Business Opportunities.**

The Company takes seriously its responsibility to protect the livelihood of its sales forces and the hard work invested to build a sales organization. Raiding and solicitation actions in which distributors seek to raid and solicit other distributors in the sales organization to non-Company products and services and to other MLM/business opportunities, severely undermines the marketing program of the Company, interferes with the relationship between the Company and its sales force and destroys the livelihood of other distributors who have worked hard to build their own business, the business of their sales and benefits they have earned by helping to build a sales organization.

During the Restraint Period within the Restraint Area, a distributor shall not:

- (a) directly or indirectly sell to, nor solicit from, other distributors non-Company products or services, or in any way promote to other distributors business opportunities in marketing programs of other MLM or business opportunity companies at any time;
- (b) engage in any recruiting or promotion activity that targets distributors for opportunities or products of other direct selling companies or business opportunities, either directly or indirectly, by themselves or in conjunction with others, nor shall a distributor participate, directly or indirectly, in interference, raiding or solicitation activity of any distributor for other direct selling companies or business opportunities (unless approved in writing by the Company, this prohibition includes sales or solicitation of non-Company products or services at meetings organized for Company sales, promotion, training recruitment, demonstration, etc);
- (c) directly or indirectly, recruit any distributor to join other direct sales or network marketing companies nor solicit, directly or indirectly, any distributor to purchase services or products, or in any other way interfere with the contractual relationships between Company and its distributors; or
- (d) in any other way interfere with the business growth of the Company or product sales through its distributors.

In this provision:

Restraint Area means

- (e) Australia;
- (f) New South Wales, Victoria and Queensland;
- (g) New South Wales.

Restraint Period means the duration of the distributorship and the following periods commencing on the date of termination of the distributorship:

- (a) 12 months;
- (b) 6 months;
- (c) 3 months.

35. **Trade Shows.** Except with the Company's prior written consent, Company products or services and opportunity must not be displayed at trade shows by distributors. Request for participation in trade shows must be received in writing by the Company at least two weeks prior to the show. If the Company gives its prior written consent, Company products or services and opportunity are the only products or services and/or opportunity that may be offered in the distributor's trade show booth. Only Company produced marketing materials may be displayed or distributed. No distributor may sell or promote the Company products or services or business opportunity at flea markets, swap meets, or garage sales.
36. **Assigned Territory.** Distributors are not assigned exclusive territories within Australia for marketing purposes, nor shall any distributors imply or state that he/she does have an exclusive territory. There are no geographic limitations on sponsoring distributors or selling product within Australia or its possessions or territories and any approved countries in which the Company is registered to do business.
37. **International Sales.** No distributor may export or sell directly or indirectly to others who export the Company's products, literature, sales aids or promotional material relating to the Company, its products or services or the Company's program from Australia or its possessions or territories to any other country. Distributors who choose to sponsor internationally may do so only in countries in which the Company or its parent company has registered to operate its business and must comply fully with the Rules of Operation of a Company distributorship in that country. Any violation of this rule constitutes a material breach of this these policies and procedures and is grounds for immediate termination of the distributorship.
38. **Trademarks, Trade Names, Advertising.**
- (a) Distributors shall not advertise Company products and services and/or marketing plans except as specifically approved by the Company. Distributors shall not make any false or fraudulent representations about the Company, the products, the Company compensation plan, or income potentials.
 - (b) The name of the Company and other names as may be adopted by the Company are proprietary trade names and trademarks of the Company. As such, these marks are of great value to the Company and are supplied to distributors for distributor use only in an expressly authorized manner. Distributors agree not to advertise Company products or services in any way other than the advertising or promotional materials made available to distributors by the Company. Distributors agree not to use any written, printed, recorded or any other material in advertising, promoting or describing the products or services or the Company marketing program, or in any other manner, which has not been copyrighted and supplied by the Company, unless such material has been submitted to the Company and approved in writing by the Company before being disseminated, published or displayed.
 - (c) The distributor, as an independent contractor, is fully responsible for all of its verbal and written statements made regarding the products, services and/or marketing programs which are not expressly contained in writing in these policies and procedures, advertising or promotional materials supplied directly by the Company. Distributor agrees to indemnify the Company and hold it harmless from any and all liability including judgments, civil penalties,

refunds, attorney fees, and court costs, lost business or claims incurred by the Company as a result of distributor's unauthorized representations.

- (d) The Company will not permit the use of its copyrights, designs, logos, trade names, trademarks, etc. without its prior written permission. If permission is granted by the Company, distributors must only display the relevant copyright, design, logo, trade name or trademark in the manner approved by the Company. In addition to general prohibitions on use of the Company trademarks or logos, the Company specifically prohibits the use of Company trademarks or logos in conjunction with the sale of any other non-Company products. Criteria for approving these materials will include a judgement regarding the quality of the materials as well as properly setting forth the independent status of the distributor and correct use of the Company's copyrights, designs logos, trade name, trade marks etc.
- (e) All Company materials, whether printed, on film, produced by sound recording, or on the internet, are copyrighted and may not be reproduced in whole or in part by distributors or any other person except as authorized in writing by the Company. Permission to reproduce any materials will be considered only in extreme circumstances. Therefore, a distributor should not anticipate that approval will be granted.
- (f) The distributor must not produce, use or distribute any information relative to the contents, characteristics or properties of Company product or service which has not been provided directly by the Company. This prohibition includes but is not limited to print, audio or video media.
- (g) The distributor must not produce, sell or distribute literature, films or sound recordings which are deceptively similar in nature to those produced, published and provided by the Company for its distributors. The distributor must not purchase, sell or distribute non-Company materials which imply or suggest that said materials originate from the Company.
- (h) Any display ads or institutional or trade mark advertising copy which include the trade marks, trade names or other material that is the property of the Company, other than covered in the foregoing rules, must be submitted to the Company and approved in writing by the Company prior to publication.
- (i) All advertising copy, direct mailing, radio, TV, newspaper and display copy **must be approved in writing** before being disseminated, published or displayed with the exception of blind ads where no reference is made to the Company name or product name.
- (j) Without limiting subparagraph (i) above, the distributor must ensure that:
 - (i) no advertisement implies that a "job" or "position" is available;
 - (ii) no specific income is promised; and/or
 - (iii) advertisements do not contain any misleading facts or distortions of the Company opportunity or product line.
- (k) No therapeutic, curative properties or health claims about the products may be made. In particular, the distributor must not make any claim that the Company products are intended to

diagnose, treat, cure or prevent any disease. Such statements can be perceived as medical claims. Therapeutic, curative and health claims are heavily regulated. Accordingly, in addition to the general prohibition set out in this provision, distributors must not:

- (i) make medical, curative, treatment or health claims, whether expressed or implied;
- (ii) use in any of their marketing materials and promotion any descriptions that are regarded as health or medical claims stating that; Kangen Water™ may alleviate, cure, diagnose, ease, lessen, lighten, make better, mitigate, moderate, prevent, put right, recover, reform, relieve, remedy, remit, resist, reverse, soothe, or treat any medical condition, disease, ailment or malady;
- (iii) use any disease names in any of their marketing materials or promotions; or
- (iv) make even relatively mundane structures or functional claims such as, "Kangen Water™ carries fuel and oxygen more efficiently to the cell, detoxifies the colon, boost immune system, etc."

Any breach of these provisions will constitute grounds for discipline, commission suspension and/or termination of distributor status.

39. **Internet and Website Policy.** No distributor may independently design a website that uses the names, logos, product or service descriptions of the Company, nor may a distributor use "blind" ads on the internet making product, service or income claims which are ultimately associated with Company products or the Company's compensation plan. All Internet websites which include the trade marks, trade names or other material that is the property of the Company must be approved by the Company. A distributor that has obtained authorization for his or her website must obtain fresh authorization before making any material changes to his or her website. Any person using Company names, logos, trademarks, etc. on the internet or any other advertising medium, except as permitted by the Company, shall be subject to immediate discipline, including termination of distributor status. Except with the Company's prior written authorization, no distributor may offer for sale, or receive payment for the Company's products or services online. A distributor that has obtained authorization for his or her website must obtain fresh authorization before making any material changes to his or her website.
40. **Protection of Reputation.** Distributors shall safeguard and promote the reputation of the products and services of the Company and shall refrain from all conduct which might be harmful to the reputation of the Company or its products and services or inconsistent with the public interest, and shall avoid all discourteous, deceptive, misleading, unethical or immoral conduct or practices. A distributor shall not interfere with, harass or undermine other distributors and, at all times, shall respect the privacy of other distributors. A distributor must not at any time (including after the distributor has ceased its relationship with the Company) disparage the Company, other Company distributors, Company products and/or services, the marketing and compensation plans, or Company employees. Without limiting any other remedies the Company may have, breach by a distributor of this provision constitutes grounds for termination of the distributor's relationship with the Company.

41. **Statements and Representations.** Distributors may not make statements or representations regarding the Company other than those approved and provided in writing by the Company; such as its Policies and Procedures and/or any other official printed literature and publications provided to distributors by the Company.
42. **Press Inquiries.** Any inquiries by the media are to be referred immediately to the Company. This policy is to assure accuracy and a consistent public image.
43. **Indemnification and Hold Harmless.** Each distributor hereby indemnifies and releases the Company, its officers, directors, agents and assigns and holds them harmless from and against the full amount of any and all claims, causes of action, judicial and administrative proceedings suits, charges, liabilities, losses, damages, costs and expenses, including without limitation court costs and reasonable fees and expenses of attorneys and consultants, which are or may be made, filed or assessed against Company at any time arising out of distributor's business operations and representations made by distributor in the operation of his/her business, arising from the following:
- (a) Violation and/or lack of compliance with terms of these policies and procedures, rules and regulations, marketing program manual or guidelines or any other directive from the Company as to method and manner of operation of the independent distributor business;
 - (b) Engaging in any conduct not authorized by the Company in the Company market program;
 - (c) Any fraud, negligence or willful misconduct in the operation of the distributor's business;
 - (d) Misrepresentation or unauthorized representation regarding the Company's products or services, marketing opportunity or potential or the Company's marketing program;
 - (e) Failure to adhere to any federal, state, or local law, regulation, ordinance and/or any order or rule issue by any court of appropriate jurisdiction;
 - (f) Engaging in any action which exceeds the scope of authority to the distributor as granted by the Company; and/or
 - (g) Engaging in any activity over which Company has no effective control as to the actions of the distributor.
44. **Confidentiality.** The Company's business relationship with its distributors, vendors, manufacturers and suppliers is confidential. A distributor shall not contact directly or indirectly, or speak to or communicate with any representative of any supplier or manufacturers of the Company except at a Company sponsored event at which the representative is present at the request of the Company. Violation of this policy may result in termination and possible claims for damages if the vendor/manufacturer's association is compromised by the distributor contact.
45. **Downline Information Confidentiality.** On a periodic basis, the Company will supply data processing information and reports to the distributor, which will provide information concerning the distributor's downline sales organization, product purchases and product mix. The distributor agrees that such information is proprietary and confidential to the Company and is transmitted to the distributor in confidence. The distributor agrees that he or she will not disclose such information to any third party directly or indirectly, nor use the information to compete with the Company directly or

indirectly during or after the term of the distributorship. The distributor and the Company agree that, but for this agreement of confidentiality and nondisclosure, the Company would not provide the above confidential information to the distributor.

46. **Commission, 6A Educational Allowance and/or Incentive for Inactive Distributors (D1, D0, FA0).** If you have a direct sale within six (6) months, you are qualified to receive full commission, 6A educational allowance and/or incentive. This status is called "D1".

If you do not have a direct sale within six (6) months, but at least one sale within two (2) years, you are qualified to receive fifty percent (50%) of the full commission, 6A educational allowance and/or incentive. This status is called "D0".

If you do not have a direct sale within two (2) years you are not qualified to receive any commission 6A educational allowance and/or incentive. This status is called "FA0".

Any distributor with FA0 status will be able to reregister as a distributor within the same 6A2-3 group.

Payments of commission, 6A educational allowance and/or incentive will be made based on the distributor status on the date of the sale.

47. **Default in Payment**

A Distributorship will be terminated if a distributor defaults in payment of product purchases from the company. In the event a distributor purchases product, either in the capacity as a consumer or distributor from the company, and subsequently defaults on payment, the distributorship is subject to immediate termination. The preceding rule is applicable to a distributorship in an individual capacity that defaults, a corporate or partnership distributor where one of the principal owners defaults or any other default in payment where the defaulting party has an ownership interest in the distributorship.

Any fees incurred in the collection of a defaulted payment including third party collection fees, solicitor fees and legal fees will be added to the owing amounts and will be payable by the distributor.

48. **Recording of Meetings.** The distributor must not videotape or record the content of any business presentation meeting hosted by the Company or another distributor without first obtaining permission from the Company.

49. **Disciplinary Actions.** Distributor's violation of any terms of these policies and procedures or any illegal, fraudulent, deceptive, or unethical business conduct may result, at the Company discretion, in one or more of the following disciplinary actions:

- (a) issuance of a written warning or admonition;
- (b) to the extent permitted by law, imposition of a fine, which may be imposed immediately or withheld from future commission payments;
- (c) re-assignment of all or part of a distributor's organization;
- (d) freezing of commissions for an indefinite period;
- (e) suspension, which may result in termination or re-instatement with conditions or restrictions; and/or
- (f) termination of the distributorship.

50. **Termination.** Without limiting the Company's right to terminate under other provisions of these policies and procedures, the Company reserves the right to terminate any distributorship at any time for cause if the Company determines that the distributor has violated the provisions of these policies and procedures as they may be amended or the provisions of applicable laws and standards of fair dealing. Such termination shall be made by the Company at its discretion.

51. **Process for Termination and Appeal.** When a decision is made to terminate a distributorship, the Company will inform the distributor in writing that the distributorship is terminated immediately, effective as of the date of the written notification. The termination notice will be sent by mail to distributor's address on file with the Company.

The distributor will have 20 days from the date of mailing of the certified letter in which to appeal the termination in writing, and provide written response to the finding of violations of Company policies and/or rules. The distributor's appeal and/or response correspondence must be received by the Company within 20 days of the Company's termination letter. If the appeal is not received within that 20-day period, the termination will be automatically deemed final.

If a distributor files a timely appeal of termination, the Company will review and consider the termination, consider any other appropriate action, and notify the distributor of its decision. The decision of the Company will be final and subject to no further review. In the event the termination is not rescinded, the termination will be effective as of the date of the Company's original termination notice. The terminated distributor may not be sponsored as a Company distributor again.

Upon termination of a distributorship, all rights cease. The terminated distributor is no longer eligible for any commission, bonuses or prizes. The terminated distributor cannot advertise, sell or promote the Company products or purchase products from the Company.

The terminated distributor's down line organization automatically transfers to his/her immediate up line.

52. **Subpoenas for Records.** Assuming proper jurisdiction, the Company will comply with all court orders demanding financial compensation records of a distributor in its capacity as an independent contractor with the Company.

53. **Request for Records.** The Company will comply fully with all requests for records accompanied by a properly prepared and signed Authorization by the person whose records are being sought. The Company will comply fully with all requests for records by government agencies with the authority to request such records and accompanied by the requisite legal documentation.

54. **Change of Address.** The distributor is responsible for reporting a change in his or her address to the Company.

55. **Variation.** The Company shall be entitled to vary product or service prices at any time and to make variations in the statement of policy and procedures. A distributor will be deemed to have accepted any such variation on the first to occur of:

- (a) the distributor placing further orders for products or services following such variation; and
- (b) the expiry of a period of 30 days following notice of the variation.

If a distributor does not agree with a variation, the distributor may cancel their distributorship as

contemplated by section 21 above.

56. **Waiver.** The Company never gives up its right to insist on compliance with these policies and procedures or with the applicable laws governing the conduct of a business. This is true in all cases, both specifically expressed and implied, unless an officer of the Company who is authorized to bind the Company in contracts or agreements specifies in writing that the Company waives any of these provisions. In addition, any time the Company gives permission for a breach of these policies and procedures, that permission does not extend to future breaches. This provision deals with the concept of "waiver," and the parties agree that the Company does not waive any of its rights under any circumstances short of the written confirmation alluded to above.
57. **Governing Law.** These policies and procedures shall be construed in accordance with the laws of New South Wales, Australia and the parties submit to the non-exclusive jurisdiction of the courts of that State.
58. **Partial Validity.** Should any portion of these policies and procedures or of any other instruments referred to herein or issued by the Company be declared invalid by a court of competent jurisdiction, the balance of such policies and procedures or instruments shall remain in full force and effect.
59. **Entire Agreement.** These policies and procedures and other duly executed documents by the Company and the distributor constitute the entire agreement of the parties regarding their business relationship.

Corporate Contact Information

Suite 15, 33 Waterloo Rd, Macquarie Park NSW
(Ph) 02-9878-1100 (Fax) 02-9878-1200

Website: www.enagic.com

To: Enagic Australia Pty Ltd

Date: _____

Distributor's name: _____

ID number: _____

Address: _____

Home Phone#: _____

Mobile Phone#: _____

E-mail address: _____

I hereby confirm that I have reviewed and fully understood the above Policies and Procedures dated December 2011.

I will follow the rules provided in the Policies and Procedures.

Signature

Date

*The provisions of the above agreement and other contents of the Policies and Procedures are subject to change in accordance with the provisions of the Policies and Procedures.

***Commissions will be withheld until this document is signed and received by Enagic Australia**