

ENAGIC Europe



Policies and Procedures

Effective May 2017

This document supersedes all previous editions.

Enagic Europe, GmbH Policies & Procedures

1. The Company, Policies & Procedures, Distributor Handbook. Enagic Europe GmbH, hereinafter the "Company," is a direct selling company marketing health and other consumer products and services through independent distributors. The Policies and Procedures herein are applicable to all independent distributors of the Company. Furthermore, the published Enagic Distributor Handbook, as amended and re-printed from time to time, and the Enagic Distributor Agreement are incorporated as a part of these Policies.

2. Distributor Qualifications. A distributor is one who has completed a Company application, signed the Distributor Agreement, and been accepted by the Company as a distributor. The Company reserves the right to accept or reject anyone as a distributor.

All distributors must be of legal age in their country of residence. Unless waived in writing by the Company upon application, the Company will consider each married couple as a single distributor. Spouses may sponsor each other directly, but they are not allowed to be sponsored in different lines. If the Company discovers that the second spouse was sponsored under a different line for whatever reason, the Company reserves the right to change the status of this spouse from a distributor into a user, or to transfer the distributorship to his or her up-line distributor. If a spouse is already a distributor, the nonparticipating spouse may become a distributor, but must join the same distributorship as his or her spouse, or be directly sponsored by him or her. The Company reserves the right to reject any application for new distributorship. In case of a divorce, the involved parties should notify the Company as to how the distributorship is to be managed thereafter. Otherwise, the Company will recognize the final judicial or adjudicatory disposition of the distributorship.

When an existing distributor is willing to open a second or third distributorship, this account has to be opened under his/her pre-existing account or under his/her sponsor's account.

Distributors are independent sales representatives of the Company and should not be considered purchasers of a franchise or a distributorship. The agreement between the Company and its distributors does not create an employer/employee relationship, agency, partnership, or joint venture between the Company and the distributors. Each distributor should exclude the Company from any claims, damages or liabilities arising out of distributor's business practices. Distributors have no authority to

bind the Company to any obligation. Each distributor is encouraged to set up his/her own schedule and to determine his/her own methods of sale, as long as he/she complies with the policies and procedures of the Company.

Independent distributors are fully responsible for properly paying all applicable taxes and fees as per the laws of the European Union. Enagic Germany does not perform any withholding services nor is the firm responsible for unpaid taxes on behalf of independent distributors.

The company's program is built upon retail sales to the ultimate consumer. The company also recognizes that distributors may wish to purchase products or services in reasonable quantity for their own personal or familial use. For this reason, a retail sale for bonus purposes will include sales to non-participants, as well as sales to distributors for personal or familial use which are not made for purposes of qualification or advancement. It is company policy, however, to strictly prohibit the purchase of unreasonably large quantities of product inventory solely for the purpose of qualifying for bonuses or advancement in the marketing program. Distributors may not load up on inventory and encourage others to do so. Distributors must fulfill published personal and downline retail sales requirements, including requisite retail sales to non-participants, and supervisory responsibilities in order to qualify for bonuses, overrides or advancements.

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.

3. Transaction Submission Integrity. It is essential to the success of the Company, its distributors, and customers that submissions of transactions maintain integrity of communication. It is to be expected that all transaction submissions to the Company, including, but not limited to, distributor applications, communication, financial and consumer transactions, must be submitted by the individual or entity involved in the transaction. Third party submission of any or all transactions is prohibited. A distributor should not make any transaction submissions on behalf of another distributor, prospective distributor, or customer. A distributor may not use his or her credit card or bank account on behalf of another individual or distributor, except if allowed as an alternate payer. This rule is applicable to any or all forms of transaction submissions, including, but not limited to, online, telephone, fax, email, etc.

4. Business Conduct. In the conduct of business, the distributor will safeguard and uphold the reputation of the products and services of the Company and will refrain from any misconduct which might be harmful to the Company. The marketing

of products and services should be consistent with the public interest, and should avoid all discourteous, deceptive, misleading, unethical or immoral conduct or practices. A distributor will not interfere with, harass, or undermine other distributors and should, at all times, respect their privacy. A distributor must not disparage the Company, its products and services, marketing and compensation plans, distributors, or employees. Violation of one of the above is a ground for termination.

5. Providing Sponsor Support. Any distributor who sponsors other distributors must perform the role of a bona fide supervisor, distributor and seller during the sale and/or delivery of product to the ultimate consumer. The distributor is also responsible for training his/her downline. Distributors must have a sustained contact, communication and management supervision with the people under their sales 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 the Company with an annual proof of ongoing fulfillment of their sponsor responsibilities.

6. Responsibility of Paying Taxes. All distributors are personally responsible for paying local, state and federal taxes due from commissions or any other earnings generated from selling Company products and services.

7. Advertising Correct Information. Company distributors shall not advertise Company products, services, or marketing plans except when approved by the Company. Distributors agree to not make misleading or fraudulent representations about the Company, its products, compensation plan, or income potentials.

a) Enagic distributors shall not buy Enagic water treatment systems for resale. An Enagic distributor should take orders from retail customers or for personal use in his/her own capacity as both a customer and a distributor. Enagic water treatment systems are not meant for resale. They are sold by Enagic at specified prices. A distributor may not sell an Enagic water treatment system that deviates from Enagic pricing. An Enagic distributor may not advertise, offer or provide a customer with a rebate or other consideration to facilitate a lower customer price for an Enagic water treatment system.

8. Trademarks, Trade Names, Advertising.

a) The name of the Company and other names 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 provided for use to distributors only in an 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 used in advertising, promoting or describing the products, services, or the Company marketing program which has not been copyrighted and supplied by the Company, unless such material has been submitted to the Company and approved in writing before being disseminated, published or displayed.

b) The distributor, as an independent contractor, is fully responsible for all of his/her verbal and written statements made about the products, services, and/or marketing programs which are not expressly contained in writing in the current distributor agreement, advertising or promotional materials provided by the Company. The distributor agrees to indemnify the Company and keep its reputation away from any liability including judgments, civil penalties, refunds, attorney fees, court costs, lost business, or claims incurred by the Company as a result of distributor's unauthorized representations.

c) The Company does not permit the use of its copyrights, designs, logos, trade names, trademarks, etc. without a prior written permission. Distributors may not use the Company logo in marketing or sales materials, except on approved business cards. The trademarked term Kangen Water™ should be appropriately annotated. In addition to these general prohibitions, the Company strictly prohibits the use of Company trademarks or logos in conjunction with the sale of any other non-Company products.

d) 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 by the Company. Permission to reproduce any material will be considered only in extreme circumstances. Therefore, the distributor should not anticipate that approval will be granted.

e) A Company distributor may not produce, use or distribute any information in relation to the contents, characteristics, or properties of the Company products or services which has not been provided directly by the Company. This prohibition includes but is not limited to print, audio or video media.

f) A Company distributor may 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, nor may he/she purchase, sell or distribute non-company materials which imply or suggest that these materials originate from the Company.

g) Any advertisement with the trademark copy, other than what is covered in the foregoing rules, must be submitted to the Company and must have its approval in

writing prior to publication.

h) All forms of advertising, including direct mail and posters, must have an approval in writing before being disseminated, published or displayed. Advertising on radio, TV, newspaper, magazine, and website except distributor's own website is strictly prohibited.

i) **Distributors may not make claims about the therapeutic or curative properties of the products. In particular, no distributor should claim that the Company products are intended to diagnose, treat, cure or prevent any disease.** Such statements are regarded as medical claims. Pursuant to the policy of prohibition of medical, curative or treatment claims, Enagic enumerates specific implementation of these policies which shall include, but not be limited to:

- 1) Prohibition of medical, curative or treatment claims, whether expressed or implied;
- 2) Prohibition of use of marketing and promotion materials describing the ability of Kangen Water™ to alleviate, cure, diagnose, prevent, relieve, or treat any medical condition, disease, ailment or malady.
- 3) Any violation of these guidelines merit disciplinary actions, such as commission suspension and/or termination of distributor status.

j) Production and sales of any marketing materials including DVD recording of seminars without prior authorization from the Company are strictly prohibited. Distributors who violate this article are subject to suspension and/or termination without warning.

9. Internet and Website Policy. The Company maintains its official corporate website. Distributors are allowed to make their own website for advertising purposes by using an approved Company program (**Enagic Web System**) which allows distributors to choose a template that may be personalized with their own message and contact information. These websites link directly to the Company website, giving the distributor a professional and Company-approved internet presence. Only these pre-approved websites may be used by distributors. The distributors are neither allowed to independently design a website that uses the name, logos, and product and service descriptions of the company nor may they use "blind" ads on the internet which make product or income claims that are associated with the Company's products, services, and compensation plan. Any person who violates the abovementioned rules is subjected to disciplinary actions, including termination of distributor status.

10. Prohibition of Sales on Unauthorized Internet Sites.

A distributor is prohibited from selling or promoting Company products at any internet shopping, auction, and classified listings websites such as eBay, amazon.com, craigslist.com, etc. Any violation of this article will constitute grounds for commission suspension and/or termination of distributor status.

11. No Spam Policy. The Company specifically prohibits unsolicited email or information dissemination by facsimile relating to the Company's products, services, and business opportunities. The Company has zero tolerance policy on spamming practices. Distributors who violate the Company's "no spam policy" are subject to termination, suspension or disciplinary action.

12. 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 (e.g. salons, doctor's offices, and health clubs). The sale of Enagic products or services within these retail facilities must be facilitated by a distributor. This meeting must be preceded by a demo-information where the distributor introduces the products and services to the customer. Company produced literature, banners, or signage may only be displayed on a shelf, counter, or wall on its own. Products or services may not be sold from a shelf or taken out of a display for purchase by a customer. Company products or services may not be sold in any retail establishment, even by appointment, if competitor 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.

13. Prohibition on Affiliation with Other Water Treatment Marketing Companies.

a) It would breach the Company-distributor relationship if ENAGIC distributors choose market competitor products such as water treatment, water filtration or alkaline water conversion products. Therefore, as long as an Enagic distributor desires to maintain his/her distributor status, he or she may not sell or market any water treatment, water filtration or alkaline water conversion products that are similar to the products sold by Enagic.

b) 6A2-3 bonus is available only to distributors who do exclusive direct selling/MLM business for Enagic.

14. Prohibition of Sales of Kangen Water. **Selling of bottled or packaged Kangen Water® produced from an Enagic machine is strictly prohibited.** No "donations" or other sums may be collected from the distribution of Kangen Water®. Charging customers due to the use of electricity or the general usage of the machine during demo is prohibited. These are considered to be business expenses, and therefore

should be paid by the distributor, not by the customer. Any violation of this section will constitute grounds for termination of distributor status.

Providing bottled Kangen Water® to a prospective buyer is authorized; However, labeling the bottle and attaching the Company's logo is strictly prohibited, as it may create the impression that the sample water is "for sale", rather than a mere sampling provided with no charge. This is to avoid a violation of state or local regulations regarding the "bottling" and sale of "bottled water".

15. Trade Shows. With written authorization from the Company, Enagic products, services, and business opportunities may be presented at trade shows by distributors. Request for distributor's participation in trade shows must be received in writing by the Company at least two weeks prior to the show. Written authorization from the Company is needed in order to participate in the trade show. Unless this written authorization is secured, Company products, services and business opportunities information are not allowed to be presented in the trade show booth. Only Company-produced marketing materials may be displayed or distributed. No distributor may sell or promote the Company products, services, or business opportunity at flea markets, swap meets, or garage sales.

16. Assigned Territory. Distributors are not assigned exclusive territories for marketing purposes; therefore, no one should state or imply that he/she has an exclusive hold of certain territory. There are no geographic limitations on sponsoring distributors or selling products within Europe or any approved country where the Company is registered to do business.

17. International Sales. No independent distributor may export or sell (either directly or indirectly) to people who export the Company's products, literature, sales aids, or promotional materials relating to the Company, its products, services, or program from the EU or other approved countries. Independent distributors who choose to sponsor internationally may do so in countries in which the Company is registered to operate its business. Distributors must fully comply with the Rules of Operation of the Company distributorship in that country. Any violation of this rule constitutes a breach of this contract and merits a ground for immediate termination of the distributorship.

18. Change of Business Name. 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. If the Company approves such a change by distributor, the organization's name and the names of the principals of the organization must appear on the distributor application agreement along with the social security number or federal identification number. It is

prohibited to make changes to attempt to circumvent or violate Company rules on raiding, solicitation, targeting, cross- sponsoring or interference.

19. Cancellation of Distributorship. The independent distributor agreement may be canceled at any time and for any reason by a distributor by notifying the Company in writing of the decision to cancel. All cancellations are accepted and effective as stated. As of the effective cancellation date, the independent distributor loses all privileges of leadership and down line organization, and is no longer eligible for any commissions, bonuses or prizes. He/she cannot advertise, sell, promote the Company products or purchase product from the Company.

The down line organization of the cancelling distributor will automatically be transferred to his/her immediate up line. The former distributor must wait six (6) months to be eligible to be sponsored again as a Company distributor, either as an individual or a corporation.

20. Change to Product or Service Prices. The Company shall be entitled to change product or service prices, and make changes in the statement of policy and procedures at any time and without prior notice.

21. Taxes and Regulations. Each distributor shall comply with all state and local taxes and regulations governing the sale of Company products or services.

22. Return Policy. Notwithstanding the Company's longer retail customer guarantee policy, all retail sales must comply with the German Law of 14-day right to return the goods, provided that the product is unused. If this period expires on a non-working day, the deadline is extended until the next working day. The company must be unequivocally informed in writing of the decision to cancel the purchase. The unused goods must be sent back immediately after informing the Company. The purchaser has to pay the return shipping costs.

23. Company's Signature Products. The signature products of the Company are involved in the treatment, purification, and adjustment of alkaline content of water. These products are fundamental to the branding and image of Enagic. Therefore, although distributors are free to sell products of third party vendors within the guidelines of the Company's policies, a Company distributor shall not, during the term of the distributorship, sell products which are in the same line with the Company's signature products. Violation of this provision may result in the termination of the distributorship status.

24. Prohibition on Raiding and Cross-Solicitation of Products or Other MLM and/or Business Opportunities. The Company takes its responsibility to protect the livelihood of its sales force and the hard work invested to build a sales organization very

seriously. Raiding and soliciting activities of a distributor to other members of the sales organization with regard to non-company products and services and other MLM/business opportunities severely undermines the marketing program of the Company and interferes with the relationship between the Company and its sales force. It also destroys the livelihood of other distributors who have worked hard to build their own business, their sales, and benefits they have earned by helping build the sales organization. Therefore, distributors should not directly or indirectly sell to, nor solicit from other Company distributors non-company products or services, and should not in any way promote other business marketing opportunities or MLM programs at any time. A Company distributor shall not engage in any recruitment or promotion activity (either directly or indirectly, by themselves or in conjunction with others) which targets Company distributors for opportunities or products of other direct selling companies. 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. This prohibition on targeting, interfering, soliciting and raiding shall be valid during the term of the distributor agreement and for a period of two (2) years after the termination of the distributor agreement. For the term of this agreement and two (2) thereafter, a distributor shall not, directly or indirectly, recruit any of the Company's distributors to join other direct sales or network marketing companies. Nor is he/she allowed to solicit, directly or indirectly, services or products to Company's distributors that in any way interfere with the contractual relationships between the Company and its distributors.

Because of the unique nature and marked characteristic and association of Enagic to water treatment systems, and because of the possible confusion and conflict of interest that may occur, Enagic distributors may not engage in the representation or sale of water treatment systems offered by any company other than Enagic.

25. Vendor Confidentiality. The Company's business relationship with its vendors, manufacturers and suppliers is confidential. A distributor shall not contact or communicate directly or indirectly, with any supplier or manufacturer representative of the Company except at a company sponsored event at which the latter is present at the request of the Company. Violation of this regulation may result in termination of the contractual agreement and may bare claims for damages if the vendor/manufacturer's association is compromised by the distributor contact.

26. 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, reversed, or refunded. The Company shall recover the

commission by adjusting the distributor's next check payment. In the event that no commission is available for adjustment, the distributor who received the paid commission shall repay this through "reversed sale" within 30-days-notice from the Company.

27. Downline Information Confidentiality. On a periodic basis, the Company will supply processing information and reports to the distributor, which provides data on the distributor's downline sales organization, product purchases and product mix. The distributor agrees that such information is confidential and is a Company propriety which is transmitted to the distributor in confidence. The distributor agrees to not disclose such information directly or indirectly to any third party, nor use this to compete with the Company during or after the term of the agreement. The distributor and the Company agree that, without this agreement on confidentiality and nondisclosure, the Company would not provide the abovementioned confidential information to the distributor

28. Change in Status. Marriage: Two Company distributors who marry after having established their own individual distributorships may continue to operate their existing distributorships.

Divorce: Should a married couple divorce, they should notify the Company as to who will assume responsibility for the distributorship through:

- a) A written notarized agreement signed by both parties indicating who will retain the distributorship.
- b) A court order decision on who receives custody over the distributorship
- c) A notification of retention of joint distributorship and an agreement to operate it as a partnership.

Divorced distributors may apply for a new distributorship without having to wait 6 months.

Death: Upon the death of a distributor, the rights and responsibilities of the distributorship may be passed on to the rightful, legally-stated heir as long as that person fills out a new distributor application and presents a copy of death certificate of the deceased distributor.

Disability: Should a distributor become disabled to the extent that he/she can no longer fulfill the required duties of a Company distributor, his/her legally-approved representative or conservator will:

- a) Contact the Company within thirty (30) days of disability and inform it of the distributor's condition and plans for future management of the distributorship – whether the distributor chooses to retain or cancel it.

- b) Provide a notarized or court-approved copy of appointment as Distributor's representative or conservator.
- c) Provide a notarized or court-approved copy of document establishing his/her right to administer the Company business.

Should the legally-approved representative or conservator plan to continue the distributorship, he/she will fill out a new distributor application and receive the required training consistent with the disabled distributor's level at the time of disability. These requirements shall be satisfied within a period of six months.

29. Machine Upgrades. All upgrades on machines need to be authorized by the regional sales manager in charge of the respective sales area. The Company reserves the right to refuse machine upgrades at its discretion. Upgrades on unused new machines are allowed within 14 days of purchase. Price difference and shipping costs will be borne by the customer.

30. Sale or Transfer. Any merchandise sold to third parties does not entitle the latter to become distributors of Enagic Europe GmbH. Distributors agree to inform all third parties of the facts above and further agree not to promise any possibility of transferring distributor rights.

A distributor may not sell, assign, or transfer his or her distributorship, marketing position, or other distributor rights without written application and approval from the Company. This paragraph is also applicable to the 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 Company reserves the right to review the sale agreement and to verify waiver from the upline sponsor in the event the upline sponsor declines to purchase the distributorship.

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

For the term of two (2) years after sale or transfer, 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 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 business opportunities or products or services of other direct selling companies. A distributor seeking to sell or transfer his/her distributorship must acknowledge and agree to this provision prior to the finalization of the sale or transfer of their distributorship.

31. Rights of the Company. The Company expressly reserves the right to alter or amend prices, the Rules and Regulations, the Policies and Procedures, product availability and the compensation plan. Upon notification in writing, such amendments will automatically be incorporated as part of the agreement between the Company and distributor. The Company's way of communicating such changes include, but shall not be limited to mail, email, fax, posting on the Company website, publication in company newsletters or magazines, etc.

a) Enagic reserves the right to make all final decisions on the interpretation of articles stated in the Company Policies and Procedures. The final company decision based on the interpretation of the articles stated in the Company Policies and Procedures are effective immediately. All distributors are obliged to follow the company's decision regarding interpretation of the articles of the Company Policies and Procedures.

32. Non-Individual Ownership. A partnership or corporation may be a distributor. However, no individual may participate in more than three (3) distributorships in any form without written permission from the Company. Only in the most extreme and extraordinary circumstances will this be considered.

a) 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 submitted to the company, detailing all partners, stockholders, officers or directors in the partnership or corporation.

33. Individual Distributorship. An individual can have up to three (3) distributorships in the Company. He/she may not own any other distributorship, either individually or jointly, nor may he/she participate as a partner, owner, stockholder, trustee, director, or association member, outside his/her sponsorship.

34. Entity Distributorship. An entity (corporate) owner can have up to five (5) distributorships in the Company, as long as they are opened under the same account.

35. Entity Guarantee for Owners. Although the Company has offered distributors the opportunity to conduct their distributorship as a corporate, LLC, trust or partnership entity, those entities are still under the control of its owners and principals, and the actions of individual owners or beneficiaries that may affect Company's business. Because of this, the actions of individual owners or beneficiaries that may be related to

the Company and the distributorship are considered critical to the Company's business. Therefore it is agreed that actions of the ownership entity's shareholders, officers, directors, trustees, beneficiaries, agents, employees or other related or interested parties, which are in contrast to Company's policies will be attributable to the corporate, LLC, trust or partnership entity.

In the event that any of the entity shareholders, officers, directors, trustees, beneficiaries, agents, employees or other related parties terminate ownership interests in the distributorship, any actions by such parties that continue to have an interest, directly or indirectly, in the distributorship shall be attributed to the distributorship.

36. Members of Same Household; Responsibility. Members of a household may operate as one Company distributorship, but may not become separate Company distributors. A household is defined as consisting of spouses and dependents. Note: Children who are at least 18 years old and of legal age in their country of residence are not considered 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 usually in good faith, in some circumstances, there is an abuse of relationships in which the non-company household member is engaged in recruitment, solicitation or raiding of the Company's sales organization. Since the household member that has an ownership interest in the Company distributorship is in the best position to prevent raiding or cross-sponsoring activity by his/her co-household member, the cross recruiting activity of the non-company household member shall be attributed to the Company distributorship, and will be subjected to disciplinary action or termination of the distributorship.

37. Commission, 6A educational allowance and/or incentive for Inactive Distributors (D1, D0, FA0). If a distributor has a direct sale within six months, he/she is qualified to receive a full commission, 6A educational allowance, and/or incentive plus a Special Point (SP). The qualification for SP will expire after three months. This status is called "D1." If the distributor does not have a direct sale within six months, but at least has one sale within two years, he/she is qualified to receive 50% of the commission, a 6A educational allowance and/or incentive. This status is called "D0." If the distributor has no direct sale within two years, he/she is not qualified to receive any commission or incentive. This status is called "FA0." A distributor with FA0 status is allowed to re-register as a distributor within the same 6A2-3 group.

The payment of the commission, 6A educational allowance, and/or incentive will be made based on the distributor status on the date the commission was processed. In the case of an Enagic Payment System (ECS) customer, the distributor status will be

decided based on the payoff list issued on the 8th and 22nd each month. If it falls under a Saturday, a Sunday, or a holiday, the payment of the commission will be done on the following business day.

38. Default in Payment. A distributorship will be terminated if a distributor defaults in the payment of product purchases from the Company. In the event a distributor purchases a product, either in the capacity as a consumer or as a distributor of the Company, and subsequently defaults on payment, the distributorship is subject to immediate termination. This rule applies to an individual distributor and to corporate or partnership distributor when one of the principal owners/parties with ownership interest in the distributorship defaults in payment.

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

- a) Issuance of a written warning or admonition.
- b) Imposition of a fine, which may be imposed immediately or withheld from future commission.
- c) Reassignment of all or part of the distributor's sale organization.
- d) Freezing of commissions for an indefinite period.
- e) Suspension, which may result in the termination of distributor status, or reinstatement with conditions or restrictions.
- f) Termination of the distributorship.

40. Right to Terminate. The Company reserves the right to terminate any distributorship at any time when the distributor has violated the provisions of the distributor agreement (including the provisions of these policies and procedures as they may be amended) or the provisions of applicable laws and standards of fair dealing. Such involuntary termination shall be made by the Company at its discretion. Upon an involuntary termination, the Company shall notify the distributor by mail at his/her most recent address listed in the Company database. At the event of a termination, the terminated distributor agrees to immediately cease claiming him/herself as a distributor.

41. Termination

a) When a decision is made to terminate a distributorship, the Company will inform the distributor in writing and the decision will take effect on date of the written notification. The termination notice will be sent by a certified mailing service to the distributor's address, and a copy will be on the Company's file.

b) The distributor will have 14 days from the date of mailing to appeal in

writing against the decision of termination, and provide written evidences disproving the Company findings of violations of the agreement, its policies and/or rules. If the appeal is not received within the 14-day period, the termination will automatically be deemed final.

c) If the distributor files a timely appeal against the termination, the Company will review and reconsider the termination, find any other appropriate action, and notify the distributor of its decision. Once the final decision is given, it will no longer be subject to further review. In the event that the termination is not rescinded, the termination date would follow the Company's original termination notice. The terminated distributor may not be sponsored as a Company distributor again.

d) Upon the termination of the agreement, all rights to distributorship cease. He/she is no longer eligible for any commission, bonuses or prizes. He/she cannot advertise, sell, or promote the Company products.

e) The terminated distributor's down line organization will automatically be transferred to his/her immediate up line.

42. Sponsorship. All distributors have the right to sponsor others. In addition, every individual has the ultimate right to choose his/her own sponsor. If two distributors claim to be the sponsors of the same new distributor, the Company shall regard the first application received by the corporate home office as controlling.

a) As a general rule, it is a good practice to regard the first distributor, having the first claim to sponsorship, the responsibility to meaningfully work with the prospective distributor, but this is not necessarily controlling. Basic tenets of common sense and consideration should govern.

b) For convenience, the Company provides various methods of registering newly sponsored distributors, including facsimile and online registration. Until such time when the Company receives a complete application (containing all appropriate information as well as the signature of the prospective distributor) through hard copy, facsimile or digital data, the incomplete registration will only be placed under the category "intended" registration. Thus, although the Company attempts to create some convenience, it is still the responsibility of the sponsoring distributor to deliver a completed and signed distributor agreement with the prospective distributor if he/she wants to be recognized as his/her official sponsoring distributor.

c) Those who sponsor a lot of people but who do not help new distributors develop their business are met with limited success. Therefore, it is the distributor's responsibility to follow through and make sure the new distributor is properly informed and is familiar with the product, the compensation plan, the policies and procedures

and the professional guidelines of the network marketing industry.

d) When making a solicitation to a prospective distributor to join the Company's network program, the distributor must clearly explain the following:

- (1) Products: type, performance and quality of each product.
- (2) Compensation plan
- (3) Policies and Procedures
- (4) Distributor's rights and duties
- (5) Other important items that will affect the judgment of the prospective distributor

e) Distributors should never provide false information in order to push the conclusion of a sales agreement or to prevent the buyer from canceling the agreement.

f) Retail sales are a requirement of the Company's network program.

g) Each distributor must identify himself/herself by name and Company ID number to the prospective buyer.

h) The Company offers no sales discounts or other concessions. Likewise, the distributor may not offer these either. Any discount offered by a distributor may be a ground for termination.

43. Transfer of Sponsorship. Transfer is rarely permitted and is constantly discouraged. Maintaining the integrity of sponsorship is absolutely mandatory for the success of the overall organization.

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

(1) In case of unethical sponsoring by the original sponsor. In such circumstance, the Company will be the final authority.

(2) Entirely resigning from the Company and waiting six (6) months to reapply under a new sponsor.

44. Income Claims. No income claims, income projections, income representation, or showing of commission checks ("check waving"), shall be made to lure prospective distributors. Any false, deceptive, or misleading claims regarding the opportunity, product, and/or service, are prohibited.

45. Representation of Status. In any case when the distributor refers to him/herself, he/she must clearly state his/her independent status as a distributor. For example, if the distributor has a business telephone, the number may not be listed under the Company's name or in any other form which does not disclose the independent contractor status of the distributor.

46. Request for Records. The Company will fully comply with all requests for records accompanied by a duly signed Authorization letter by the person whose

records are being sought. Moreover, the Company will fully abide by all requests for records by government agencies with the authority to request such documents provided that it is accompanied by requisite legal documentation.

47. Newspaper Advertisement. Some independent Representatives use classified advertising in newspapers to find prospects. The following rules apply:

- No advertisement should imply that a "job" or "position" is available.
- No specific income should be promised.
- Advertisements should not contain misleading facts about the Company, its opportunities, and/or product line.

48. Business Cards and Stationery. Any printed materials, including business cards and stationery, must have a prior approval from Enagic. The criteria for approving these materials include a judgment on the quality of the materials as well as properly claim of the independent status of the distributor.

49. Telephone Solicitation. The Company's name or copyrighted materials may not be used with automatic calling devices or "boiler room" operations with the aim of soliciting distributors or retail customers.

50. Press Inquiries. Any media inquiry should be referred immediately to the Company. This policy is to ensure accuracy and consistency with public image.

51. Indemnification and Hold Harmless. The independent distributor hereby indemnifies and releases the Company, its officers, directors, and its agents by holding them harmless against the full amount of any and all claims, causes of action, judicial and administrative proceedings suits, charges, liabilities, losses, damages, costs, and expenses. This includes, without limitation, court costs, fees and expenses of attorneys and consultants, which are made, filed, or assessed against the Company arising from the distributor's business operations and representations, such as the following:

a) Violation and/or lack of compliance from the terms of distributor agreement, policies and procedures, rules and regulations, marketing program manual, guidelines, or any other directive from the Company with regard to the method and manner of operation of the independent distributor business;

b) Engaging in any conduct not authorized by the Company and its Company market program;

c) Any fraud, negligence, or willful misconduct in the operation of the independent distributor's business;

d) Misrepresentation or unauthorized representation of the Company's product or service, marketing opportunity, 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 issued by any court of appropriate jurisdiction;

f) Engaging in any action which exceeds the scope of authority granted by the Company to the distributor.

g) Engaging in any activity in which the Company has no effective control over the actions of the distributor.

52. Waiver. The Company never gives up its right to insist on compliance of these rules or with any other applicable laws governing the conduct of the business. This is true in all cases, both specifically expressed and implied, unless a Company officer, who is authorized to bind the Company in contracts or agreements, specifies in writing that the Company waives any of these provisions. In addition, if at some point the Company allows for a breach of the rules, that permission does not extend to future cases. This provision deals with the concept of a "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 the above.

53. Governing Law. The Company's court of jurisdiction is based in Düsseldorf, Germany and shall be governed in all respects thereby. The parties agree that jurisdiction and venue shall be based on the place of acceptance of the distributor application.

54. Partial Validity. Should any portion of the Rules and Regulations, the distributor's application and agreement, or any other instruments referred to herein or issued by Enagic be declared invalid by a court of competent jurisdiction, the balance of such rules, applications, or instruments shall remain in full force and effect.

Corporate Contact Information

Immermanstrasse 33 Duesseldorf, Germany

(ph) +49-(0) 211-936570-00

(fax) +49-(0)211-936570-27

Product Handling and Distributor's responsibility:

1. The prospective distributor shall fulfill personal sales volume requirements to be recognized and registered as an active Enagic distributor.
2. Special favorable payment plans are made available to distributors who wish to purchase company products.
3. The distributor may sell products through credit companies that sign contract with Enagic.
4. The distributor shall take full responsibility for any of the following issues which may arise in connection to his/her own customer.
 - (1) The distributor shall take the following actions without delay in case there is a cancellation of a sales agreement during the cooling-off period:
 - (a) Return the commission and other applicable fees/charges to Enagic.
 - (b) Substitute the cancelled account with another account.
 - (c) Any action other than (a) and (b) will be taken after a discussion among the distributor, Enagic and referrer.
 - (2) Provide information which the Company may request from time to time regarding its collection of money payable for the products.
 - (3) Provide information which the Company may request from time to time regarding its handling of sales-related claims other than the above.

The Sales Commission of Enagic shall issue a payment via wire transfer in favor of the distributor promptly after the expiration of the cooling-off period, and otherwise based on the distributor's instruction.

Company Profile:

ENAGIC JAPAN

Trade name [Enagic Co., Ltd](#)
Echizenya Bldg. 7F, 1-1-6 Kyobashi
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FAX: +81 (3) 5205-6035

Representative Director Hironari Oshiro, President & CEO

Established June 21, 1974
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Katano-city, Osaka

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Enagic Services Co., Ltd.
1-40-1, Hoshida-kita
Katano-city, Osaka

Service Center
TEL: +81 (72) 893-3306
Enagic Co., Ltd. Supply Center
1-40-1, Hoshida-kita
Katano-city, Osaka

Supply Center
TEL: +81 (72) 893-9027

ENAGIC GERMANY AND EUROPEAN HEADQUARTERS

Düsseldorf

Enagic Europe GmbH
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Office hours: (local time)

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Sat 11am - 5pm

ENAGIC ITALY BRANCH

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Enagic Italy
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FAX: +39 06-3321-9505

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ENAGIC FRANCE BRANCH

Paris

Enagic France
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FAX: +33 (0) 1 83 71 17 06

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SERVICE STATION/TRAINING CENTER IN ROMANIA

Brasov

Branduselor nr: 68-70 6th floor
500397 Braşov, Romania

TEL: +40-374028779

MAINTENANCE/SERVICE:

+40-767606677

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Romania@enagiceu.com

TRAINING CENTER PORTUGAL

Porto

Enagic Training Center
Av. de França, n° 735
4250 214 Porto, Portugal

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portugal@enagiceu.com

ENAGIC RUSSIA BRANCH

Moscow

LLC "Enagic Rus"

Letnikovskaya Str. 10 Bld. 4, Floor 1

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sales@enagic.com.ru

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British Columbia, Canada V6X 3P7

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FAX: (604) 214-0067

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Mon-Fri 9am - 5pm

ENAGIC USA HEADQUARTERS

Los Angeles

4115 Spencer Street

Torrance, CA 90503-2419

TEL: (310) 542-7700

FAX: (310) 542-1700

Office hours LA HQ: (local time)

Mon-Fri 9am - 5pm

Sat 9am - 5pm

Office hours LA Plaza: (local time)

Tues, Thurs, Fri 9am - 9pm

Mon, Wed 9am - 5pm

Office hours EIC: (local time)

Mon-Fri 7am - 6pm

Sat 9am - 5pm

The Enagic Information Center (EIC) is located at the LA HQ.

ENAGIC MEXICO BRANCH

Nuevo Leon

Av Vasconcelos 345

col Santa Engracia

San Pedro Garza Garcia

Nuevo Leon, Mexico

TEL: +52 (81) 8242-5500

FAX: +52 (81) 8242-5549

Office hours: (local time)

Mon-Fri 9am - 5pm

Sat 9am - 1pm

ENAGIC AUSTRALIA BRANCH

Australia

Enagic Australia Pty Ltd.

15/33 Waterloo Rd

Macquarie Park New South Wales 2113, Australia

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ENAGIC TAIWAN BRANCH

Taiwan

Enagic Taiwan

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Xiong Shan Qu, Taipei City, Taiwan

TEL: 886-2-2713-2936

FAX: 886-2-2713-2938

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Mon-Fri 9am - 5pm

ENAGIC PHILIPPINES BRANCH

Philippines

Enagic Philippines, Inc.

Unit 3-4, 16th Floor

RCBC Savings Bank Corporate Center

Bonifacio Global City, Taguig City Metro Manila

TEL: 632-519-5508

FAX: 632-519-1923

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ENAGIC HONG KONG BRANCH

Hong Kong

Enagic Hong Kong
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Tsim Sha Tsui, Kowloon
Hong Kong

TEL: (852) 2154-0077

FAX: (852) 2154-0027

Office hours: (local time)

Mon-Fri 10am - 7pm

Sat 10am - 6pm

ENAGIC KOREA BRANCH

Korea

Enagic Korea Co., Ltd.
7F 118-3, Nonhyun-dong
Gangnam-gu Seoul, Korea

TEL: 02-546-8120

FAX: 02-546-8127

Office hours: (local time)

Mon-Fri 9am - 5pm

ENAGIC MAURITIUS SERVICE STATION

Mauritius

Enagic Mauritius
Jean Bernard Lebon
T9 residence Beau Soleil

Albion, Ile Maurice

TEL: (00230) 9738260

Office hours: (local time)

Mon-Fri 9am - 5pm

ENAGIC GUADALELOUPE BRANCH

Guadeloupe

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TEL: (00590) (0) 690578020

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ENAGIC SINGAPORE BRANCH

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ENAGIC MALAYSIA BRANCH

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ENAGIC INDONESIA BRANCH

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ENAGIC THAILAND BRANCH

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