

ENAGIC USA



Policies and Procedures

Effective 21 September 2009

This document supersedes all previous editions.

Enagic USA, Inc.

Policies & Procedures

1. Enagic USA, Inc., hereinafter the "Company," is a direct selling company marketing health products and other 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. A distributor is one who has completed a Company application and agreement and has been accepted by the Company as a distributor. The Company reserves the right to accept or reject anyone as a distributor.

3. All distributors must be of legal age in the state in which they reside. Unless waived in writing by the Company upon application, the Company will consider each married couple as a single distributor. Husbands and wives may sponsor each other directly, but may not be sponsored in different lines. 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. The Company reserves the right to reject any applications for new distributorships or applications for renewal. Should a husband/wife distributor divorce, they 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 (see section 30).

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

4. Distributors are independent marketing representatives of the Company and are not to 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 shall hold harmless the Company from any claims, damages or liabilities arising out of distributor's business practices. Company distributors have no authority to bind the Company to any obligation. Each distributor is encouraged to set up his/her own hours and to determine his/her own method of sale, so 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 United States. Enagic USA 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 product or service in reasonable amounts for their own personal or family use. For this reason, a retail sale for bonus purposes 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. It is company policy, however, to strictly prohibit the purchase of product or large quantities of inventory in unreasonable amounts solely for the purpose of qualifying for bonuses or advancement in the marketing program. Distributors may not inventory load nor encourage others in the program to load up on inventory. Distributors must fulfill published personal and downline retail sales requirements, including requisite retail sales to non-participants, as well as supervisory responsibilities, to qualify for bonuses, overrides or advancements.

5. 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.

6. Transaction Submission Integrity. It is essential to the success of the Company, its distributors and customers that submissions of transactions to the Company maintain integrity of communication. It is to be expected that all transactions submissions to the Company, including, but not limited to, distributor applications, distributor communication, distributor financial transactions and consumer transactions, be submitted by the individual or entity involved in the transaction. Third party submission of any and all transactions submissions is prohibited. A distributor should not communicate any transactions submissions on behalf of another distributor, distributor applicant or customer. 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.

7. In the conduct of business, the distributor 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 such reputation of the Company or to the marketing of such 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 disparage the Company, other Company distributors, Company products and/or services, the marketing and compensation plans, or Company employees. Violation of the above is grounds for termination.

8. Any distributor, who sponsors other distributors, must fulfill the obligation of

performing a bona fide supervisory, distributing and selling function in the sale and/or delivery of product to the ultimate consumer and in the training of those sponsored. Distributors must have ongoing contact, communication and management supervision with 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 to the Company annually proof of ongoing fulfillment of their sponsor responsibilities.

9. All distributors are personally responsible for paying local, state and federal taxes due on earnings from commissions or any other earnings generated as a seller of Company products and services.

10. Company distributors shall not advertise Company products and services and/or marketing plans except as specifically approved by the Company. Company distributors agree to make no false or fraudulent representations about the Company, the products, the Company compensation plan, or income potentials.

(a) Enagic distributors do not buy Enagic water treatment systems for resale. An Enagic distributor acts as an order taker to retail customers, or, orders an Enagic water treatment system for personal use in the capacity as a customer who is also a distributor. Enagic water treatment systems purchased by Enagic distributors are not for resale. All Enagic water treatment systems are sold at Enagic specified prices. A distributor may not advertise for sale or sale 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.

11. Trademarks, Trade Names, Advertising.

a. 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, any material 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.

b. The distributor, as an independent contractor, is fully responsible for all of his/her verbal and written statements made regarding the products, services and/or marketing programs which are not expressly contained in writing in the current distributor agreement, 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, court costs, lost business or claims incurred by the Company as a result of distributor's unauthorized representations.

c. The Company will not permit the use of its copyrights, designs, logos, trade names, trademarks, etc. without its prior written permission. Distributors may not use the Company logo in marketing or sales materials, except upon approved business cards. The trademarked term Kangen Water™ should be appropriately annotated. 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.

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 materials will be considered only in extreme circumstances. Therefore, a distributor should not anticipate that approval will be granted.

e. A Company distributor may 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.

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 a distributor purchase, sell or distribute non-company materials which imply or suggest that said materials originate from the Company.

g. Any display ads or institutional or trademark advertising copy, other than covered in the foregoing rules, must be submitted to the Company and approved in writing by the Company prior to publication.

h. 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.

i. No claims as to the therapeutic or curative properties about the products may be made. In particular, no distributor may 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. Not only is this against Company policy, but it is also against the laws governed by the United States Food and Drug Administration, and the United States Federal Trade Commission. 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) Distributors are prohibited from making medical, curative or treatment claims, whether expressed or implied;
- 2) Distributors are prohibited from using in all 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.
- 3) Distributors are prohibited from using any disease names in any of their marketing materials or promotions.
- 4) Distributors are prohibited from making even relatively mundane structures or functional claims such as, “Kangen Water™ carries fuel and oxygen more efficiently to the cell, detoxifies the colon, etc.”
- 5) Any violation of these guidelines will constitute grounds for discipline, commission suspension and/or termination of distributor status.

12. 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 must be approved by the Company. Any person using Company names, logos, trademarks, etc. on the internet or any other advertising medium, except as permitted by Company Rules and Regulations, shall be subject to immediate discipline, including termination of distributor status. No distributor may offer for sale, or receive payment for Enagic USA merchandise, online.

13. Prohibition of Sales on Unauthorized Internet Sites. Except with authorization from the Company, 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.

14. No Spam Policy. 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.

15. 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.

16. Prohibition on affiliation with other water treatment marketing companies.

a) It would undermine the basic distributor relationship if Enagic distributors marketed competing water treatment, water filtration or alkaline water conversion products. Therefore, so long as an Enagic distributor desires to maintain 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) 6A compensation available only to distributors who are exclusive to Enagic in direct selling/mlm business.

17. Sales of bottled Kangen Water™ is strictly prohibited, to include all sales of Kangen Water™ in which a person receives water, bottled or otherwise from an Enagic machine. 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 eventual termination of distributor status.

18. Trade Shows. With written authorization from the Company, Company products or services and opportunity may 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. Written authorization from the Company must be received before participating in the trade show. Unless written authorization is secured from the Company, Company products or services and opportunity are the only products or services and/or opportunity that may be offered in the 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.

19. Assigned Territory. Distributors are not assigned exclusive territories 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 the United States or its possessions or territories and any approved countries in which the Company is registered to do business.

20. International Sales. No independent 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 the United States or its possessions or territories to any other country. Independent 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 contract and is grounds for immediate termination of the distributorship.

21. The Company reserves the right to approve or disapprove distributor's change of business names, formation of partnership, 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 a social security number or federal identification number. It is prohibited to make change to attempt to circumvent or violate Company rules on raiding, solicitation, targeting, cross- sponsoring or interference.

22. The independent distributor agreement may be canceled at any time and for any reason by a distributor notifying the Company in writing of the election 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 or promote the Company products or purchase product from the Company.

The canceling 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 a corporation.

23. The Company shall be entitled to change product or service prices at any time and without notice, and to make changes in the statement of policy and procedures.

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

25. Notwithstanding the Company's longer retail customer guarantee policy, all retail sales must comply with the FTC Three-Day Cooling Off Rule which requires statutory language and notice of cancellation on the retail sales receipt. The three-day right of cancellation must be orally explained to the customer and customer must receive a copy of the notice of cancellation form.

26. 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 Enagic. Therefore, although distributors are free to sell, within the guidelines of the Company's policies, products of third party vendors, a Company distributor shall not, during the term of the distributorship, sell products which involve the Company's signature products, namely, products that involve water treatment relating to purification and adjustment of alkaline content. Violation of this provision may result in termination of the distributorship.

27. Prohibition on 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. Therefore, distributors shall not directly or indirectly sell to, nor solicit from, other Company distributors non-company products or services, or in any way promote to other Company distributors business opportunities in marketing programs of other MLM or business opportunity companies at any time. A Company distributor shall not engage in any recruiting or promotion activity that targets Company 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 Company 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. This prohibition on targeting, interference, soliciting and raiding shall be in effect during the term of the distributor agreement. For the term of this agreement, a distributor shall not, directly or indirectly, recruit any of Company's distributors to join other direct sales or network marketing companies nor solicit, directly or indirectly, Company's distributors to purchase services or products, or in any other way interfere with the contractual relationships between Company and its distributors.

28. If the distributor has purchased products for inventory purposes or mandatory sales aids while the distributor agreement was in effect, all products in a resalable condition then in possession of the distributor, which have been purchased within 90 days of cancellation, shall be repurchased. The repurchase shall be at a price of not less than ninety percent (90%) of the original net cost to the participant returning such goods, taking into account any sales made by or through such participant prior to notification to the Company of the election to cancel. Buyback is 12 months in Massachusetts, Maryland, Montana, Georgia, Louisiana, Wyoming, Texas, Oklahoma, Idaho, Utah, Washington and Puerto Rico. In addition, the Company will honor statutory mandated buyback requirements of every jurisdiction.

29. Vendor Confidentiality. The Company's business relationship with its 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 regulation may result in termination and possible claims for damages if the vendor/manufacturer's association is compromised by the distributor contact.

30. 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 check 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.

31. 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 agreement. 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. A distributor seeking to sell his/her distributorship must acknowledge and agree to this provision prior to the finalization of the sale of their distributorship

32. 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 become divorced, they agree to notify the Company as to who will assume responsibility for the distributorship in one of the following manners:

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

The divorced distributor 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-documented heir as long as that person has filled out a new distributor application, together with a copy of death certificate.

Disability: Should a distributor become disabled to the extent that he/she can no longer fulfill the required duties of the Company distributor, such disabled consultant's legal representative or conservator 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 notarized or court-confirmed copy of appointment as legal representative or conservator.
- c) Provide a notarized or court-confirmed copy of document establishing right to administer the Company business.

Should the legal representative or conservator plan to continue the business of the distributorship, then he/she shall fill out a new distributor application, return policy and W-9, 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 months.

33. Changes to Merchandise:

a) Machine upgrades are only allowed on unused, new machines within 30 days of purchase. All requests must be accompanied by a \$50 change fee, to be authorized by the regional sales manager in charge of the respective sales area. The Company reserves the right to refuse machine changes at its discretion.

b) All merchandise sold to third parties do not qualify to be Enagic USA distributors. Distributors agree to inform all third parties of the facts above and further agree not to promise any possibility of transferring distributor rights.

34. 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 distributor for sale to other qualified Company 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 requalify as a distributor for a period of at least six months after the sale. The Company reserves the right to review the sale agreement and to verify waiver from the up line sponsor in the event the up line sponsor declines to purchase the distributorship.

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, 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 term of three (3) 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 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 acknowledge and agree to this provision prior

to the finalization of the sale or transfer of their distributorship.

35. This statement of policies and procedures is incorporated into the independent distributor agreement and constitutes the entire agreement of the parties regarding their business relationship.

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

37. 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 express 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.

b. 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 corporate headquarters office. 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, said individual certifies that no person with an interest in the business has had an interest in a distributorship within three (3) months of the submission of the form (unless it is the continuation of an existing distributorship that is changing its form of doing business).

38. 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. An individual shall provide the Company with a W-9 Form with Social Security Number.

39. Entity Distributorship

An entity (corporate) owner can have up to five (5) distributorships in the Company, as long as they are within the same distributorship.

- (1) Proprietorship: A copy of fictitious name filing must be submitted, plus a W-9 form.

- (2) Corporation: Copies of articles of incorporation with state seal and notarization, list of officers, a copy of Federal ID number (EIN) and a W-9 Form are required, including the page with state seals and notarization. These articles will show who the principals are and prove validation of Federal ID Number/Business Number/E.I.N., plus a W-9 form.
- (3) LLC: IRS acceptance only. The name on the IRS acceptance is required to state the LLC in order to use it as an LLC, plus a W-9 form.
- (4) Trust: An affidavit of trust with the notarized copy of the power of attorney is necessary. If Federal ID Number is to be used and is not noted in the affidavit, an IRS acceptance will be required, plus a W-9 form.
- (5) Partnership: To register as a partner, complete the partnership portion of the Entity Information form, along with all signatures that apply, plus a W-9 form.

40. 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 under the control of its owners and principals, the actions of individual owners or beneficiaries as they may affect Company's business. Therefore, it is agreed that the actions of individual owners or beneficiaries as they may affect the Company and the distributorship are also 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 and the actions of such parties, which are in contrast to Company's policies shall be attributable to the corporate, LLC, trust or partnership entity.

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

41. Members of Same Household; Responsibility. Members of distributor's household may operate together as one Company distributorship, but may not become separate Company distributors. Household is defined as husband, wife, 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, there is an abuse of relationships in which the non-company household member is engaged in recruitment, solicitation or raiding of the

Company sales organization. Since the household member that has an ownership interest 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.

42. Disciplinary Actions. Distributor's violation of any policies and procedures, the agreement, terms and conditions 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. Imposition of a fine, which may be imposed immediately or withheld from future commission checks.
- c. Reassignment 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 reinstatement with conditions or restrictions.
- f. Termination of the distributor.

43. The Company reserves the right to terminate any distributorship at any time for cause when it is determined that 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 the latest address listed with the Company for the distributor. In the event of a termination, the terminated distributor agrees to immediately cease representing him/herself as a distributor.

44. Termination

a. 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 certified mail to distributor's address on file with the Company.

b. The distributor will have 15 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 agreement, 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 20-day period, the termination will be automatically deemed final.

c. 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.

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

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

45. All distributors have the right to sponsor others. In addition, every person has the ultimate right to choose his/her own sponsor. If two distributors should 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 good practice to regard the first distributor to meaningfully work with a prospective distributor as having first claim to sponsorship, but this is not necessarily controlling. Basic tenets of common sense and consideration should govern.

b. 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 online registration. Until such time as the Company receives an application, either as hard copy, facsimile or digital data, containing all appropriate information, as well as the signature of the proposed new distributor, the Company will only consider the incomplete facsimile or online 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 and signed distributor agreement and completed W-9 if the sponsor is to expect recognition as the official sponsoring distributor.

c. 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 the professional guidelines of the network marketing industry.

d. When soliciting 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.

d. Distributors should never provide false information in order to encourage 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 or herself by name and Company ID number to the prospective buyer.

h. 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.

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

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

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

(2) Resigning from the Company entirely and waiting six (6) months to reapply under the new sponsor.

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

47. Income Claims. No income claims, income projections nor income representation, nor showing of commission checks ("check waving") 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.

48. Representation of Status. In all cases, any reference the distributor makes to him/herself 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.

49. Judgment and Tax Lien. The Company will comply fully with any court order or instruction/demand by any government taxing authorities within the United States and Canada that orders, instructs or demands the withholding of a distributor's earnings from his/her distributorship with the Company.

50. Subpoenas Duces Tecum (Demands for Records). Assuming proper jurisdiction, the Company will comply with all subpoenas duces tecum demanding financial compensation records of a distributor in his/her capacity as an independent contractor with the Company.

51. 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.

52. Newspaper Advertisement. Some Independent Representatives use classified advertising in the newspapers to find prospects. The following rules apply:

- No advertisement may imply that a "job" or "position" is available.
- No specific income can be promised.
- Advertisements must contain no misleading facts or distortions of the Company opportunity or product line.

53. Business Cards and Stationery. Any printed materials, including business cards and stationery, must be approved by Enagic in advance. Criteria for approving these materials will include a judgment regarding the quality of the materials as well as properly setting forth the independent status of the distributor.

54. Telephone Solicitation. The use of the Company's name or copyrighted materials may not be made with automatic calling devices or "boiler room" operations either to solicit distributors or retail customers. The use of these methods in ways that are legal and are the equivalent of the "blind ads" alluded to above cannot be regulated by the Company.

55. 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.

56. Federal and state regulatory agencies rarely approve or endorse direct selling programs. Therefore, distributors may not represent that the Company's program has been

approved or endorsed by any government agency.

57. Indemnification and Hold Harmless. The independent Distributor hereby indemnifies and releases the Company, its officers, directors, agents and assigns and holds 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 the distributor agreement, 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 independent distributor business;

d. Misrepresentation or unauthorized representation regarding the Company's product or service, 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.

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

58. Waiver. The Company never gives up its right to insist on compliance with these rules 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 the rules, 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.

59. Governing Law. These rules are reasonably related to the laws of the state of

California and shall be governed in all respects thereby. The parties agree that jurisdiction and venue shall lie with the place of acceptance of the distributor application, the state of California.

60. Partial Validity. Should any portion of these Rules and Regulations, of the distributor's application and agreement, or of 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

4115 Spencer St., Torrance, CA 90505

(ph) 310-542-7700

(fax) 310-542-1700

www.enagic.com



Outline of Enagic Distributor Agreement

(Revised on November 1, 2008)

Qualification

1. A prospective distributor shall not be required to pay any sign-up fee or guarantee money to Enagic USA, Inc.(hereunder "Enagic").
2. A prospective distributor must be referred by a distributor officially designated by Enagic, said distributor having explained the necessary details to the prospective distributor.
3. A prospective distributor must be a least twenty years of age and cannot be a student (and or preparatory student).
4. Enagic, not the distributor, has the sole responsibility for the products and their maintenance.
5. The distributor shall conduct sales in compliance with all applicable Laws and Regulations.
6. The distributor shall observe the Product Sales Policy, Agreement and the provision of the Distributor Agreement as prescribed by Enagic.
7. The distributor is an independent contractor involved in the sale of products and is therefore neither a director nor a representative of Enagic.
8. The distributor will retain its status even if no sales have been generated. However, disqualification may result for the violation of the Sales Policy, Distributor Agreement, etc.
9. The distributor status may be inherited by a family member, if applied by the distributor and the applicable family member and approved by Enagic.
10. Enagic may deny the prospective distributor's application if such an individual is a member or associate of an illegal syndicate or is related to a member or associate member of such a syndicate, or if the individual is an adult under the care of a guardian or conservator, a person declared bankruptcy or in any other way deemed unfit by Enagic to be its distributor.

Termination

11. The distributor may cease to be an Enagic distributor at any time by notifying Enagic in writing of his/her intention to terminate the Distributor Agreement.

Sales Activities and Prohibitions

12. The distributor shall state his/her name and that he/she is a distributor of Enagic and

- shall clearly explain the features of each product to the prospective buyer.
13. The distributor shall hand the necessary documentation to the prospective buyer. Customer copies of the "Prospectus", "Product Purchase Request Form", "Distributor's Basic Agreement", and "Customer's copy of Credit" must be handed to the prospective buyer without fail.
 14. The use of the third party's name in the Product Purchase Request, Distributor's Basic Agreement is strictly prohibited.
 15. The solicitation or referred of other marketing networks or non-Enagic products to Enagic distributors is prohibited.
 16. The role of a distributor is an order taker who solicits retail consumer product orders for Enagic, payment to Enagic and fulfillment from Enagic. Distributors do not purchase product for resale. In the capacity as order soliciting from Enagic posted pricing schedules. Distributors must maintain the specified selling price and shall offer no discount or other concession.
 17. When soliciting a prospective distributor to join our business, the distributor must clearly explain the following items:
 - (1) Type, performance and quality of each product (or types and details of the distributor's rights and duties).
 - (2) Conditions to be satisfied for participation in business dealings, such as the payment of sign-up fees, purchase of products and other monetary burdens.
 - (3) Cancellation of the sales agreement (cooling-off period).
 - (4) Expected income from business dealings (sales commission, bonus, referral fee, etc.)
 - (5) Other important items that will affect the judgment of the prospective distributor.

Never provide false information in order to encourage the conclusion of a sales agreement or to prevent the buyer from canceling the agreement, or never threaten or confuse the buyer, since it constitutes an offense that is punishable by the laws.
 18. As a rule, registration as a new distributor will be done if it is revealed that the distributor has been already registered.
 19. The distributor is prohibited from participating in an investment scheme not involving merchandise distribution, profit-sharing organization, etc.
 20. The distributor must not reproduce, copy or otherwise use the name, logo, trademark, design and other creative works and printed matters of Enagic without first obtaining permission from Enagic.
 21. The distributor must not produce any advertisement or printed matter or any media,

- including internet, of his/her own regarding the profile, products, business terms and other aspects of Enagic, nor engage in solicitation, sales or promotion activity using advertising media (newspapers, magazines, flyers, direct mail, etc.).
22. The distributor must not videotape or record the content of any business presentation meeting hosted by Enagic or another distributor without first obtaining permission from Enagic.
 23. The distributor must not violate general laws or the Provisions of the Distributor Agreement, nor engage in any act that disturbs the public order.
 24. The distributor must not engage in any act that interferes with the business growth of Enagic or product sales through its distributor.
 25. The distributor must not use his/her website for the purpose of sales of Enagic products without prior consent from Enagic headquarters.
 26. The distributor who obtained authorization for his/her website in the past also must not use his/her website without consent from Enagic newly.
 27. The distributor who is an individual proprietor must file a tax return without fail.
 28. The distributor is responsible to report his/her address change to Enagic.
 29. Enagic is not responsible for any problems caused by non receipt of documents due to no address change.
 30. The provisions of above agreement and any other contents of this prospectus are subject to change without notice.
 31. Revised date is printed in this prospectus. Only latest version of prospectus is effective.

Product Information and Others

SunUs	Continuous electrolysis water generator which produces three types of water including clean water, kangen water, and acidic water.
Leveluk Jr II	Continuous electrolysis water generator which produces five types of water including clean water, kangen water, acidic water, strong kangen water, and strong acidic water.
Leveluk DX	Continuous electrolysis water generator which produces five types of water including clean water, kangen water, acidic water, strong kangen water, and strong acidic water.
Leveluk DX II	Continuous electrolysis water generator which produces five

types of water including clean water, kangen water, acidic water, strong kangen water, and strong acidic water.

Leveluk SD501	Continuous electrolysis water generator which produces five types of water including clean water, kangen water, acidic water, strong kangen water, and strong acidic water.
Leveluk Super 501	Continuous electrolysis water generator which produces five types of water including clean water, kangen water, acidic water, strong kangen water, and strong acidic water.
Anespa	Shower machine which removes chlorine from tap water and produces mineral ion water continuously.
Ukon	Food supplement which contains turmeric, squalene, rice oil Oil extract, alpinia speciosa leaf extract, vitamin C, DHA, and kangen water.

Product Handling and Distributor's responsibility:

1. The prospective distributor shall fulfill stated personal sales volume requirements to be recognized and registered as an active Enagic distributor.
2. Special favorable payment plans are available to distributors who wish to purchase company products.
3. The distributor may sell products through the credit companies that sign contract with Enagic.
4. The distributor shall take full responsibility for any of the following issues arising in connection with his/her own customer.
 - (1) The distributor shall take the following actions without delay in case of 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 actions other than (a) and (b) above will be taken after discussion among the distributor, Enagic and referrer.
 - (2) Collection of money payable for the products.
 - (3) Handling of sales-related claims other than the above.

Money Payable for the Product and Sales Commission (to be settled using the method below after confirmation of the proceeds and the delivery of product)

- (1) Enagic shall issue a check in favor of the distributor, based on the distributor's instruction.
- (2) Enagic shall issue a check in favor of the distributor, after the expiration of the cooling-off period, based on the distributor's instruction.
- (3) If the above methods are not used, settlement will be carried out using a method mutually agreed by the distributor and Enagic.

Selling Price and Sales Commission of Product (excluding tax)

PRODUCTS	UNIT PRICE	COMMISSION 1P	
SUN US	\$1,280.00	\$55 \$25	D1 *SP
		\$80	
LEVELUK Jr II	\$2,380.00	\$135 \$25	D1 SP
		\$160	
LEVELUK DX	\$2,980.00	\$225 \$0	D1 SP
		\$225	
LEVELUK DX II	\$3,280.00	\$205 \$30	D1 SP
		\$235	
*SD 501	\$3,980.00	\$235 \$50	D1 SP
		\$285	
SUPER 501	\$5,980.00	\$400 \$0	D1 SP
Anespa	\$2,390.00	\$180 \$0	D1 SP

*** SP (Special Point) point is a bonus commission paid when the next sale occurs within 3 months**

Return Policy Effective November 15th, 2008

The federal law mandating legally-acceptable returns is three business days. In an effort to abide by this federal law, we at Enagic have established our return policy around this three-day period. We also understand that there are extraordinary circumstances in which a longer period would be necessary. Under these circumstances which require approval by the company there is a strict guideline which follows.

1. If the new, unused machine is returned within 3 days of receipt, you will be refunded the full amount minus postage. (Shipping Fees)
2. If a new machine is not returned within 3 days of receipt, you will be charged with a restocking fee. *
3. If a used machine is returned within 3 days of receipt, you will be charged with a restocking fee.*
4. If a used machine is returned after 3 days of receipt, you will be charged with a processing fee.**
5. If a machine is returned more than 1 month after receipt, there will be no refund.
6. Shipping fees and installment charges are not subject to refund.
7. Owner must pack the machine in safe and secure condition and ship by owner's expense.

*Restocking fee = \$100

*Installment Charge = Number of payment times \$10.00

**Processing fee: SD 501=\$380 DXII=\$310 SUNUS=\$200 JR11=\$310 ANESPA=\$320,
SUPER 501=\$700, ANESPA MEMBER=\$240, SUPER MEMBER=\$410

- A) Days are counted starting on the day that the order was processed or in case of shipping,

begins on the date of signed delivery.

B) Three days are business days, one month is counted as a calendar month.

C) A machine is considered used once water has been run through it.

I have read and fully agreed with all the return policy described above.

X _____

Name (PRINT)

X _____ / /

Applicant Signature

Date

Corporate Profile:

Trade Name:	Enagic Co., Ltd.
Head Office:	Echizenya Bldg., 7F 1-1-6 Kyobashi, Chuo-ku, Tokyo, Japan Tel: 03-5205-6030 Fax: 03-5205-69035
CEO:	Hironari Ohshiro
Capital:	60,000,000.00 Yen
Established:	June 21, 1974
Nature of Business:	1. Manufacturing and sales of electrolysis water generator 2. Manufacturing and sales of health and beauty equipment 3. Manufacturing and sales of health food
Factory:	1-40-1 Hoshida Kita, Katano City, Osaka Tel: 072-893-2290

Service: Enagic Services, Inc.
1-40-1 Hoshida-Kita, Katano City, Osaka,
Tel: 072-893-3306

Supply: Enagic Supply Center, Inc.
1-40-1 Hoshida-Kita, Katano City, Osaka,
Tel: 072-893-9027

Bank: UFJ Bank, Kyobashi Branch
Mizuho Bank, Tokyo Chuo Branch
Risona Bank, Tokyo Chuo Branch
Mitsui Sumitomo Bank, Nihonbashi Chuo
Branch

Credit: Life Corporation
Gakken Credit
ACOM Co., Ltd.
Fine Credit
QUOQ, Inc.

Affiliates: Enagic International, Inc.
Enagic USA, Inc.
Okinawa Kangen Ukon Co., Ltd.
Enagic Travel Co., Ltd.
Enagic Finance Co., Ltd.
Enagic Trading Co., Ltd.

Branches: **LA Branch**, 4115 Spencer St, Torrance, CA
90503
Tel: 310-542-7700 Fax: 310-542-1700
Hawaii Branch, 1585 Kapiolani Blvd. #1535,
Honolulu, HI 96814
Tel: 808-949-5300 Fax: 808-949-5336
New York Branch, 36-36 33rd Street 4th Floor
Suite 403, Long Island City, NY 11106
Tel: 718-784-2110 Fax: 718-784-2103
Chicago Branch, 1148 S. Elmhurst Rd.,
Mt. Prospect, IL 60056
Tel: 847-437-8200 Fax: 847-437-8201
Taipei Branch, Asia World Bldg., 12B, 337, Sec.
3, Nanjing E. Rd. 7th Blvd., Sungshan Block,

Taipei, Taiwan

Tel:886-2-2713-2936 Fax :886-2-2713-2938

Hong Kong Branch, Unit 617, 16^F Miramar
Tower, 132 Nathan Rd., Tsim Sha Tsui, Kowloon,
Hong Kong

Tel: 852-2154-0077 Fax: 852-2154-0027

Canada Branch, Van City Building Suite
678-5900 No.3 Road Richmond, British
Columbia Canada V6X 3P7

Tel: 604-214-0065 Fax: 604-214-0067

EU Branch, Enagic Europe

GmbH Immermannstr 3340210 Dusseldorf,
Germany

Tel +49-(0)211-8302-5387 Fax

+49-(0)211-8302-5389

Mexico Branch, Commercial Plaza Tanara,
Room 306, Enagic de México, Avenida
Vasconcelos 345 Col. Sanpedro Garza Garcia
Nuevo León, Mexico

To: Enagic USA, Inc.

Distributor's name: _____

ID number: _____

Address: _____

Home ph; #: _____

Cellular ph. #: _____

E-mail address: _____

I hereby reviewed and fully understood the above Policies and Procedures dated August 20, 2009 and the Prospectus dated November 1, 2008. I will follow the rules provided in the Policies and Procedures and the Prospectus.

Signature

Date