

AQUASOURCE ALGAE GROUP PLC

POLICIES AND PROCEDURES

CONTENTS

1	DEFINITIONS	2
2	CODE OF ETHICS	2
3	STATUS AS AN AQUASOURCE DISTRIBUTOR	3
4	ELIGIBILITY	4
5	SOLE PROPRIETORS, PARTNERSHIPS AND CORPORATE DISTRIBUTORSHIPS	4
6	SPOUSES	5
7	SPONSORING	5
8	CHANGING SPONSORS	6
9	INTERNATIONAL SPONSORING	6
10	PAYMENT FOR ORDERS	6
11	ORDERING AND SHIPPING	6
12	COMMISSION PAYMENTS	7
13	SET OFF	7
14	DOWNLINE PRINTOUTS	7
15	TAXES	7
16	VALUE-ADDED TAX	8
17	PROPRIETARY MATERIALS AND TRADEMARKS	8
18	MEDIA	9
19	RETAIL OUTLETS	9
20	WEBSITES	9
21	ADVERTISING	10
22	CLAIMS	10
23	MISREPRESENTATION	11
24	TELEPHONE LISTINGS	11
25	ANSWERING SERVICES AND ANSWERING MACHINES	11
26	MEETINGS AND TRAINING	11
27	AQUASOURCE AND OTHER NETWORKING COMPANIES	11
28	COMPANY ASSURANCE	12
29	COMMUNICATION	13
30	TERM OF AGREEMENT	13
31	CHANGE OF ADDRESS	13
32	CONCILIATION	13
33	TERMINATION	14
34	SALE OF DISTRIBUTORSHIP	15
35	MULTIPLE DISTRIBUTORSHIPS	15
36	DEATH AND INHERITANCE	15
37	AMENDMENTS	16
38	WAIVER	16
39	SEVERABILITY	16
40	NOTICES	16
41	FORCE MAJEURE	16
42	ENTIRE AGREEMENT	17

The purpose of these Policies and Procedures is to set out and define the rights and responsibilities of the AQUASOURCE group company named on the Distributor Agreement (hereinafter referred to as “AQUASOURCE” which, where the context admits, includes its parent and associated companies) and each independent Distributor (hereinafter referred to as “the Distributor”) and where the context so admits co-Distributors. These Policies and Procedures, together with the Distributor Agreement, and the Euro Business Programme (as amended from time to time) constitute the terms of the contract between AQUASOURCE and the Distributor (“the Agreement”)

Each Distributor is recommended to read these Policies and Procedures carefully in order to understand and benefit from his/her rights and responsibilities as an AQUASOURCE Distributor.

1 **DEFINITIONS**

The “Distributor Agreement” means the Distributor Agreement Form comprising of an application form and terms and conditions, which must be completed and signed by each person wishing to become a Distributor, and must be accepted by AQUASOURCE.

A “Distributor” is an individual, legal entity or another form of business that has signed a Distributor Agreement and been accepted by AQUASOURCE as an AQUASOURCE Distributor.

A “Co-Distributorship” is a joint activity where all participants are AQUASOURCE Distributors operating as one Distributor position and with one Distributor identification number.

A Distributor’s “Downline” means all the Distributors personally sponsored by that Distributor, all Distributors personally sponsored by the various personally sponsored Distributors down to, and including, those Distributors who have not sponsored other Distributors.

A “Sponsor” means a Distributor who introduces to AQUASOURCE a potential Distributor whose Distributor Agreement is subsequently accepted by AQUASOURCE.

The AQUASOURCE “ Euro Business Programme” means the document(s) that set out the structure and qualification criteria pertaining to the various levels of commission payments for each country.

The “ Registered Address” means the address stated on the Distributor Agreement by each party to the Agreement or the address as notified by one party to the other in writing.

2 **CODE OF ETHICS**

The Distributor undertakes to abide by the following code of ethics in conducting his/her AQUASOURCE business and agrees:-

- (i) To carry out all dealings with customers and other Distributors or potential Distributors to the highest standards of honesty and integrity:
- (ii) Not to make unjustified or malicious damaging or negative comments about AQUASOURCE, fellow Distributors, AQUASOURCE employees, AQUASOURCE products, competitor companies, their products or employees.
- (iii) To make statements about AQUASOURCE products that are consistent with those contained in current AQUASOURCE publications or labels.
- (iv) To endeavour at all times to ensure customer satisfaction by accurately explaining the various AQUASOURCE products and offering the best possible service.

- (v) To explain the AQUASOURCE Euro Business Programme to potential Distributors as clearly, honestly and accurately as possible.
- (vi) In operating his/her downline to act at all times in a respectful and responsible manner to all people he/she encounters, irrespective of whether they are in his/her Downline or not.
- (vii) Not to knowingly attempt to persuade another Distributor's customer or contact to join his/her Downline, or knowingly engage in any activity which could cause loss or damage to AQUASOURCE or any of its Distributors.
- (viii) Not to attempt to further any other business interests whilst employing any of the various AQUASOURCE resources such as goodwill, literature, meetings etc.
- (ix) To familiarise himself/herself with and comply with, all laws, regulations and statutes applicable to any country in which he/she engages in AQUASOURCE business.
- (x) To agree to abide at all times by the Policies and Procedures pertaining to the operation of his/her AQUASOURCE business.

3. **STATUS AS AN AQUASOURCE DISTRIBUTOR**

(i) **RIGHTS OF AQUASOURCE DISTRIBUTORS**

AQUASOURCE grants to the Distributor in accordance with the terms of the Agreement the non-exclusive right to sell and promote AQUASOURCE products and the AQUASOURCE business opportunity. Distributorship is not granted for any exclusive territory or country. All Distributors conduct their AQUASOURCE business in any country, provided that in the case of sponsoring conducted in countries outside the Distributor's country of registration,

- (a) AQUASOURCE has established a corporate presence , and
- (b) AQUASOURCE has notified Distributors that the country in question is open as an AQUASOURCE market.

(ii) **OBLIGATIONS OF AQUASOURCE DISTRIBUTORS**

Distributors are independent contractors and are not, nor must they represent themselves as, employees, legal representatives, joint venture partners, or agents of AQUASOURCE. Distributors must ensure that any personnel employed by a Distributor in the operation of his/her business do not represent themselves other than as employees of an Independent Distributor. Distributors, as independent contractors, are entirely responsible for the manner in which they operate their business and for all expenses they incur in its operation. Apart from any stipulations specifically stated in the Distributor Agreement and/or these Policies and Procedures, AQUASOURCE places no controls on the way in which the Distributor operates his/her AQUASOURCE business or the amount of time and effort expended on the Distributor's business and accepts no financial liability whatsoever in respect thereof. If a Distributor is retailing AQUASOURCE products in a country, which is not open as an AQUASOURCE market, he/she does so at his/her own risk and must familiarise him/herself with the legal and regulatory requirements of such market. AQUASOURCE shall not be responsible for any liability, costs or penalties that may be incurred by the Distributor directly or indirectly arising from the sale of AQUASOURCE products in that market.

(iii) **AUTHORITY OF AQUASOURCE DISTRIBUTORS**

Distributors have no authority legally to bind AQUASOURCE, its directors, officers or employees to any obligation whatsoever in relation to their business either directly or indirectly. In particular Distributors may not use the name of AQUASOURCE or claim to act on behalf of AQUASOURCE in order to secure credit, open a bank account, rent or lease business premises or equipment or engage in any form of agreements or transactions. Furthermore, Distributors have no authority to make representations or warranties on behalf of AQUASOURCE and must at all times ensure that AQUASOURCE is held harmless from any liability for any claims or legal actions which may arise out of the Distributor's business practices.

It is the sole responsibility of the Distributor to maintain accounting and other fiscal records and to pay all necessary and relevant income, sales and other taxes and social security payments relating to their AQUASOURCE business.

It is the responsibility of the Distributor to obtain all mandatory registrations with judicial or government authorities that are required for the conducting of the Distributor's business under the laws of the country of the Distributor's residence.

4. **ELIGIBILITY**

In order to become a Distributor, it is necessary for a completed Distributor Agreement to be accepted by AQUASOURCE, and for the Distributor to purchase a Distributor Business Kit. It is the responsibility of the prospective Distributor and the Sponsor to ensure that all the details of the Distributor and the Sponsor are correctly completed on the Distributor Agreement as AQUASOURCE will not accept any responsibility for any errors caused by incorrect data on the Distributor Agreement. AQUASOURCE reserves the right to refuse to accept any Distributor Agreement.

Applicants must be a minimum of 18 years of age and legally adult and competent to enter into contractual relations according to the laws of their country of residency.

AQUASOURCE will not accept as Distributors the following:

- (i) AQUASOURCE employees;
- (ii) Any family Members which shall mean in this context spouses, siblings, parents and children or other relatives by blood or marriage residing with an AQUASOURCE employee or co-habitees residing with an AQUASOURCE employee;
- (iii) A business in which an AQUASOURCE employee participates or has an ownership interest or exercises management control over the business.

5 **SOLE PROPRIETORS, PARTNERSHIPS AND CORPORATE DISTRIBUTORSHIPS**

(i) DISTRIBUTOR AGREEMENT

If a Distributor Agreement is submitted by a sole proprietor or partnership using a business name or by a company, details of a contact person must be included on the Distributor Agreement. AQUASOURCE will address all communications to that contact person, who must be authorised to enter into legally binding contracts on behalf of the business, partnership or company and that contact person must provide satisfactory documentary evidence to AQUASOURCE of such authority. In the case of a partnership, all partners must sign the Distributor Agreement. If a Distributor Agreement is submitted by a business concern (being a sole trader or partnership) it must be correctly registered in the country of residence of the person who is named as the contact person if registration is required by the laws or regulations of that country.

(ii) INCORPORATION OF DISTRIBUTOR

A corporate Distributor must be properly incorporated in accordance with the laws of its country of registration, with its registered office in the country of residence of the person who is the company contact. The Distributor Agreement must provide details of all shareholders, directors and officers of the company and a copy of the current records filed with the appropriate registry of companies or chamber of commerce in the country and/or locality of registration must be attached.

(iii) CHANGE TO BUSINESS OR CORPORATE STATUS

In the event that a Distributor wishes to change his/her individual status to that of a business concern, the Distributor must supply AQUASOURCE with appropriate documentation listing all owners, directors, shareholders, officers and partners involved in the business together with evidence that the nominated contact person for the prospective corporate/business Distributor is authorised to enter into legally binding contracts on behalf of the business. When submitting the change of status request, the Distributor must certify that no person with an interest in the business has had a Distributorship or an interest whether directly or indirectly within six (6) months prior to submission of the form except in the Distributorship that is requesting to change its status. To change status to a partnership, any non-Distributor partner must sign a Distributor Agreement.

6. SPOUSES

Spouses, co-habitees or (where appropriate) registered partners may be co-Distributors or where one spouse is already a distributor may become a co-distributor, but may not sponsor each other and must have the same sponsor, in order to prevent them from participating in separate downlines, generations or organisations. This restriction also applies to interlocking directorships or shareholdings that may exist in a business/Distributor relationship. If two existing Distributors marry, then they will be permitted to keep their respective Downlines.

In the event of a divorce between a married couple who shares a Downline, the parties must send AQUASOURCE written confirmation as to their wishes for the management of the business or, in the case of a dispute, a copy of a court order. If there is any question over the disposition of the Distributorship or the income from the Distributorship AQUASOURCE may suspend the Distributorship and hold commissions until agreement or an order from a court of competent jurisdiction resolves the dispute.

A Distributor may not resign his/her Distributorship in order for his/her spouse to become a Distributor in another Distributor's Downline, irrespective of whether or not the spouse was a co-Distributor. A Distributor may not resign and rejoin using a different name.

A Distributor may not transfer his/her Distributorship to his/her spouse except with the prior written consent of AQUASOURCE.

7 SPONSORING

All Distributors have the right to sponsor other prospective Distributors. Each Distributor has the right to choose his/her own Sponsor. If two Distributors claim to be the Sponsor of the same new Distributor, AQUASOURCE shall accept the first completed Distributor Agreement received by the AQUASOURCE Office responsible for the country of the new Distributor's registration and residence.

AQUASOURCE will not mediate disputes involving Sponsor designations.

A sponsoring Distributor is obliged to fairly and fully explain the Euro Business Programme to all prospective Distributors, ensuring that they stress the importance of retail sales, and that the degree of success is directly related to individual ability and effort.

A Sponsor is obliged to offer full support and training to the Distributors he/she has sponsored both in product sales and in sponsoring other Distributors. Distributors must maintain on-going personal contact with their network organisation, which involves such communication afforded by newsletters, information sheets, personal discussions, telephone calls, seminars and accompanying and encouraging individuals to participate in training seminars etc.

8 **CHANGING SPONSORS**

Due to the structure of the Euro Business Programme, the movement of a Distributor from one Sponsor to another is highly impractical, affecting not just the original Sponsor, but also the Upline Distributors. Accordingly, AQUASOURCE does not encourage this practice and the following conditions apply. In order to change Sponsor, a Distributor must resign his/her Distributorship in writing, leaving his/her entire Downline to roll up to his/her Upline and wait for a period of six (6) months from the date of resignation before submitting a Distributor Agreement to rejoin under the new Sponsor. Upon re-signing, the Distributor will have the status of a new Distributor, with no rights to his/her previous Downline.

Any violation of the provisions of this paragraph may result in the termination of the Distributorships of all relevant Distributors involved. The soliciting of other Sponsors' Distributors is strictly forbidden.

9 **INTERNATIONAL SPONSORING**

AQUASOURCE operates in several countries and allows Distributors to sponsor in such countries as are notified to Distributors from time to time as being open markets. It is possible for a Distributor in another country to sponsor in these countries only, subject to the following terms:

- (i) New Distributors sponsored internationally must be registered in their country of residence and the appropriate Distributor Agreements should be obtained from AQUASOURCE for each country in which the new Distributor is to operate. A Distributor who sponsors internationally will be responsible for making returns and payment of all applicable taxes in those countries in addition to his/her country of residence in relation to his/her AQUASOURCE business.
- (ii) A Distributor wishing to conduct an international business should obtain details of the variations to the Policies and Procedures for the country in which he/she is conducting his/her AQUASOURCE business. The local variations will apply to the Policies and Procedures for that country and comprise part of the Agreement.

10 **PAYMENT FOR ORDERS**

Products are available to Distributors and prices are set by AQUASOURCE. They are subject to variation and Distributors will be informed with 14 days notice by letter, Newsletter, News Bulletin, e-mail or the AQUASOURCE official website. All payments and prices are subject to currency fluctuations and AQUASOURCE reserve the right to adjust prices to reflect such variations on a daily basis.

The method of payment may vary from country to country. Please check with the local AQUASOURCE office from which you are purchasing products. In the event of any payment being refused, any costs incurred will be charged to the Distributor's account with AQUASOURCE together with a €5.00 or local currency equivalent administration fee. AQUASOURCE cannot guarantee receipt of cash payments made by post. Distributors do so at their own risk.

The charge for Postage and Packing will be clearly stated on the Order Form.

11 **ORDERING AND SHIPPING**

Orders must be sent or placed by the following means: in person, mail, fax, telephone, or by e-mail subject to AQUASOURCE's confirmation of order by return e-mail.

Distributors must use the correct Order Form.

Once an order has been shipped, AQUASOURCE has no control over postal delivery times. Should an order not arrive AQUASOURCE will replace the order at its discretion but shall not be responsible for any other loss or damage arising from non-delivery or late delivery.

Upon receipt of an order, if an item is found to be missing, Distributors must check the invoice before contacting AQUASOURCE. The item may be missing or out of stock and will have been placed on back order.

Any item that may be temporarily out of stock will be indicated with the statement “the above item is on back order”. Any back orders will be shipped to the address on the original Order Form. The item will be shipped as soon as it becomes available at no extra cost to the Distributor. The item will be paid for when the original order is taken. The volume amount for such an item will be calculated from the time of the original order.

Should an item be found to be missing from an order and the invoice does not state that the item in question is on back order, Distributors must inform AQUASOURCE without delay and request a Shipping Discrepancy/Damage Claim Form which, upon receipt, should be completed and returned to AQUASOURCE, which will replace the missing item.

12 **COMMISSION PAYMENTS**

In order to receive commissions the Distributor must fulfil the qualification requirements set out in the Euro Business Programme. Distributors can request a detailed printed commission statement, which the Distributor understands and agrees will be charged at €5.00 or local currency equivalent and deducted each time a detailed commission statement is sent. All commissions due to co-Distributors or partnerships including spouses, co-habitees and registered partners will be paid to the person nominated in writing to AQUASOURCE by the co-Distributors or partners.

13 **SET OFF**

AQUASOURCE may at any time apply any part of any amount owing to the Distributor by AQUASOURCE, including, but without limitation, commission payments cheques, in or towards satisfaction of any debt or monies owing by the Distributor to AQUASOURCE. Any such set off shall be notified to the Distributor by AQUASOURCE in writing upon the exercise of the right of set off.

14 **DOWNLINE PRINTOUTS**

A “Downline Report” contains details of the Distributor’s Downline. A Distributor may order a Downline Report from AQUASOURCE. The Distributor understands and agrees that each Downline Report ordered by him/her will be subject to a charge set by AQUASOURCE in the Distributor’s country of registration.

The contents of the Downline Reports contain valuable and confidential information, which is and remains the property of AQUASOURCE. The Distributor agrees that he/she will not use or disclose or permit the use or disclosure of such information, or any other confidential information made available by AQUASOURCE to the Distributor, in whole or part directly or indirectly to any third party and agrees to use it solely and exclusively for the benefit of his/her AQUASOURCE Distributorship. The Distributor and AQUASOURCE agree that such confidential information is of great value to AQUASOURCE and would not be made available to the Distributor in the absence of such confidentiality agreement.

15 **TAXES**

The Distributor is an independent contractor who carries out an independent business activity consisting of the purchase and re-sale of products to clients. They are not employees of

AQUASOURCE. AQUASOURCE therefore does not withhold any social security, national health insurance, unemployment fund or income taxes, etc., from commission payments. Distributors are responsible for filing their own tax returns and making all necessary payments in respect of the same, and AQUASOURCE recommends that they seek independent advice from a suitably qualified accountant.

16 VALUE ADDED TAX

AQUASOURCE products and sales aids may be subject to government taxes in the various countries including but not limited to VAT and other sales taxes.

If a Distributor is VAT (or other applicable sales tax) registered, or becomes registered for VAT (or other applicable sales tax) he/she must send copies of his/her certificate of Registration to AQUASOURCE with his/her Distributor Agreement or if registered subsequently within (fourteen) 14 days of such registration taking effect. If Distributors are VAT (or other applicable sales tax) registered they are responsible for their own VAT (or other applicable sales tax) Returns in accordance with the VAT or sales tax legislation applicable in their country of residence or any other country in which there are operating their AQUASOURCE business.

AQUASOURCE may at its option either:

- (i) Produce a commission statement in the form of a self billing invoice including any VAT (or other applicable sales tax) that is due; or
- (ii) Require Distributors who are registered for VAT to issue to AQUASOURCE VAT invoices for any commission. Such invoices shall be issued and delivered to AQUASOURCE within 5 days from the day when the commission statement for the respective month is delivered to the Distributor. Each VAT invoice so issued shall be in form consistent with all requirements of the VAT or other sales tax legislation applicable.

If the Distributor, having been registered, becomes de-registered voluntarily or otherwise for VAT (or other sales tax) he/she shall notify AQUASOURCE in writing of the fact of such de-registration within fourteen (14) days of the de-registration taking effect. If AQUASOURCE is obliged or liable to make any payment of VAT (or other sales tax) to any relevant tax authorities as a result of the failure of the Distributor to notify AQUASOURCE of de-registration for VAT (or other sales tax) then the Distributor acknowledges and agrees that AQUASOURCE shall be entitled to recover from him/her the amount of such VAT (or other applicable sales tax) by deduction from the Distributor's account with AQUASOURCE or by any other means available to AQUASOURCE from time to time.

The Distributor shall hold AQUASOURCE harmless and shall indemnify AQUASOURCE for any damages or losses, including but not limited to any additionally assessed VAT and interest thereon, amounts of VAT disallowed for deduction or interest thereon, penalties or fines, incurred as a result of the Distributor's failure to comply with any obligation under the relevant country VAT legislation including any obligation for issuance of VAT invoices, for filing returns or other documents or making payments related to VAT.

17 PROPRIETARY MATERIALS AND TRADEMARKS

AQUASOURCE produces a range of sales aids including, without limitation, literature, tapes, videos, electronic media, etc. which it makes available to its Distributors. The copyright in such sales aids is the property of AquaSource International Ltd. and is licensed to the AQUASOURCE group company issuing the sales aids to Distributors in each country. Distributors must comply with the following conditions when using sales aids:

- (i) All AQUASOURCE proprietary materials, including (without limitation) trade names, trade marks, designs, logos, symbols, colour schemes, text, pictures, registered or unregistered whether in the form of printed matter, audio-visual, electronic data, or any

other media, which are the property of AquaSource International Ltd, may not be reproduced in whole or in part by Distributors or any other person or concern without prior authorisation by AQUASOURCE, in writing. The granting of such authorisation should not be anticipated by Distributors as, save as permitted by the Agreement, permission to reproduce proprietary materials is only given in exceptional circumstances;

- (ii) Distributors are not permitted to use copies of AQUASOURCE proprietary materials, save as permitted by the Agreement or by written permission of AQUASOURCE;
- (iii) Distributors may not publish, sell or distribute materials that do not originate from AQUASOURCE, but which imply or suggest that they do;
- (iv) AQUASOURCE does not permit Distributors to use either its name or any of its other trademarks as part of their own Distributorship names, or otherwise imply that they are employees, agents or joint venture partners. Any use of the AQUASOURCE name in connection with a Distributor must make clear that he/she is an Independent Distributor of AQUASOURCE;
- (v) Distributor business cards must indicate that the Distributor is an AQUASOURCE Independent Distributor.
- (vi) Save as provided above, the Distributor shall have no rights in respect of the trade marks or other trade names used by AQUASOURCE and he shall not acquire any rights in respect of the same. The Distributor shall promptly and fully notify AQUASOURCE upon becoming aware of any actual or threatened infringement of the trade marks or any other intellectual property of AQUASOURCE or its associated companies or any claim that the same infringes any third party's rights. At the request and expense of AQUASOURCE the Distributor shall assist AQUASOURCE in taking or resisting any proceedings in relation to such infringement or claim.
- (vii) Any breach by the Distributor of this clause 17 may be considered by AQUASOURCE to be a material breach of the Agreement to which the Conciliation procedure under clause 32 below is not applicable and entitling AQUASOURCE to proceed immediately to termination as provided in the Agreement.

18 **MEDIA**

Distributor may, subject to the prior written permission of AQUASOURCE, speak about AQUASOURCE products to newspapers, magazines, on television, radio or other media but may not speak on behalf of AQUASOURCE and must at all times make clear that he/she is an Independent AQUASOURCE Distributor and not an employee or corporate representative of AQUASOURCE.

19 **RETAIL OUTLETS**

A person who owns or operates a retail outlet or shop may become an AQUASOURCE distributor and may display AQUASOURCE products at his/her retail premises but may not effect any sales of AQUASOURCE products at those premises.

20 **WEB SITES**

AQUASOURCE makes available to Distributors a website ("Authorised Personal Website") that can be used by Distributors as their personal home page for the promotion of their AQUASOURCE business and shall be their only website for that purpose. Authorised Personal Website do not permit alteration, addition or deletion of material except the Distributor's personal contact information and personal greeting. Distributors may not add, delete or modify or attempt to do the same to their Authorised personal Website.

- (i) Distributors are not permitted

- (a) to use any AQUASOURCE proprietary materials, including (without limitation) trade names, trade marks, designs, logos, symbols, colour schemes, text, pictures, registered or unregistered, whether in the form of printed matter, audio-visual, electronic data, or any other media except in accordance with the Agreement or with AQUASOURCE's prior written consent; or
 - (b) to advertise on any electronic media, including but not limited to the Internet, other than in accordance with the Agreement or with AQUASOURCE's prior written consent
- (ii) Distributors may not
- (a) use their Authorised Personal Website for any purpose other than the promotion of AQUASOURCE Products or the AQUASOURCE Business Opportunity.
 - (b) send unsolicited emails ("SPAM") containing any reference or link, expressed or implied, to AQUASOURCE, its Products, its Business Opportunity or its websites, or those of any of its associated companies.
- (iii) If at any time the Distributor ceases to be an AQUASOURCE Distributor for whatever reason the Distributor's website will be removed from the public domain.
- (iv) It is the Distributor's responsibility to ensure that their website complies with local law, and in particular rules relating to the promotion of business opportunities, advertising of products and consumer protection law and regulation, including any published ordering procedures. As a general guide, any website in a language other than English may be considered to be marketing in any country where that language is the official language and accordingly may be governed by the local law of those countries.
- (v) Any prices displayed on the Distributor's website will be the recommended retail price for the country in which the Distributor is marketing and must comply with local rules on price indications and VAT.
- (vi) The Distributor should ensure that the content of the Distributor's website is always up to date and accurate with regards to the AQUASOURCE range of products and business opportunity. Failure to keep the site up to date could make it misleading to consumers.
- (vii) Any contact received by the Distributor from any regulatory authority regarding the content of the Distributor's website must be reported immediately to AQUASOURCE with full details and AQUASOURCE will consult with the Distributor as to conduct of any communication with such authority.
- (viii) Failure to comply with this paragraph may result in termination of the Distributorship.

21 **ADVERTISING**

The Distributor must receive written approval from AQUASOURCE prior to publication of any advertisements, editorials, promotional leaflets, circulars, etc. Failure to comply with this paragraph may result in or termination of the Distributorship.

22 **CLAIMS**

(i) **MEDICAL CLAIMS**

All Distributors must use official authorised promotional material provided by AQUASOURCE in promoting the AQUASOURCE range and may not make any medical claims whatsoever. Distributors must observe the national legislation of the country in which they are retailing and promoting AQUASOURCE products concerning medical claims and any variation to the AQUASOURCE Policies and Procedures in the countries where they are conducting business as the Policies and Procedures may vary.

(ii) **EARNINGS CLAIMS**

A sponsoring Distributor must not exaggerate the earning potential that may result from the AQUASOURCE business opportunity.

23 **MISREPRESENTATION**

Misrepresentation of AQUASOURCE products and business opportunities is expressly forbidden. Activities that would constitute, in AQUASOURCE's opinion, misrepresentation include, but are not limited to, the following:

- (i) Ascribing properties or values to products that are not contained in copyrighted AQUASOURCE literature;
- (ii) Failing to make it clear to prospective Distributors that no payment is made merely for sponsoring new Distributors and that by becoming a Distributor there is no obligation to purchase product;
- (iii) Making claims as to income potential or the Euro Business Programme by using specific examples, geometric progression, or other means without at the same time pointing out that such potential earnings are not typical average earnings, being dependant on various individual factors, such as personal effort, timing, and other specific circumstances;
- (iv) Selling AQUASOURCE products in re-packaged or re-labelled form under another name.

As independent contractors, Distributors are responsible for any consequences arising from any verbal or written statements relating to AQUASOURCE or its products, which have neither been prepared nor specifically approved by AQUASOURCE. Accordingly the Distributor agrees to indemnify AQUASOURCE and hold it harmless for any and all liability including judgments, damages, civil penalties, refunds, legal fees, and/or consequential loss which may be incurred by AQUASOURCE as a result directly or indirectly of any unauthorised representations or advertising that they may make. All Distributors must further ensure that all of their customers are aware of and do not breach the terms of this paragraph.

24 **TELEPHONE LISTINGS**

Distributor's listings in telephone directories, including Yellow Pages, may only be listed as follows:

AQUASOURCE Independent Distributors, Smith Jane & John
Address, Telephone Number
Or
Smith Jane & John
AQUASOURCE Independent Distributors, Address, Telephone Number

25 **ANSWERING SERVICES AND ANSWERING MACHINES AND E-MAIL**

It is essential that Distributors take care when answering telephone calls and e-mails, recording messages for telephone answering machines or arranging for a paid telephone answering service not to create any kind of impression whatsoever that a caller is in contact with an employee or agent of AQUASOURCE, but rather an Independent AQUASOURCE Distributor.

26 **MEETINGS AND TRAININGS**

Whilst attendance at AQUASOURCE meetings and trainings is considered to be very beneficial and therefore encouraged, there is no obligation for Distributors to attend.

27 **AQUASOURCE AND OTHER NETWORKING COMPANIES**

- (i) **PARTICIPATION IN COMPETING NETWORK COMPANIES DURING AQUASOURCE DISTRIBUTORSHIP**

AQUASOURCE Distributors must not denigrate any other networking marketing company, products, opportunities or people in the development of their AQUASOURCE Business.

AQUASOURCE Products are selected and successfully marketed on the basis of their high quality and beneficial attributes. In the event that another company is marketing a similar product in competition with AQUASOURCE, it is not in the interests of either AQUASOURCE or the Distributor to denigrate that other company's products in any way whilst promoting AQUASOURCE products.

Except as stated in these Policies and Procedures, AQUASOURCE does not restrict the Distributor from being concurrently or subsequently engaged in any other direct selling or other business opportunities. However, in consideration of the granting of the Distributorship, the Distributor agrees that he/she shall not during the term of the Agreement

- (a) take or encourage any action or statement the purpose or effect of which would be to interfere with the AQUASOURCE contractual relationships with any other Distributors
- (b) directly or indirectly contact, solicit, entice, sponsor or accept any Distributors into opportunities in marketing programmes of any company other than AQUASOURCE; or
- (c) persuade any Distributor to cease being a Distributor.

Any breach by the Distributor of this paragraph may be considered by AQUASOURCE to be a material breach of the Agreement to which the Conciliation procedure under clause 32 below is not applicable and entitling AQUASOURCE to proceed immediately to termination as provided in the Agreement.

(ii) **CROSS LINE SPONSORING AND POST TERMINATION PARTICIPATION IN OTHER NETWORKING COMPANIES**

Cross line sponsoring is a term used throughout the network marketing business to refer to the practice whereby a Distributor of a network marketing company attempts to sponsor another Distributor from that company, whom he/she had not personally sponsored, into another network marketing company. AQUASOURCE does not permit cross line sponsoring during the Agreement or for a period of ninety days after termination of the Agreement for whatever reason. The Distributor agrees that for a period of ninety (90) days after the termination of the Agreement he/she shall not:

- (a) take or encourage any action or statement the purpose or effect of which would be to interfere with the AQUASOURCE contractual relationships with any other Distributors
- (b) directly or indirectly contact, solicit, entice, sponsor or accept any Distributors into opportunities in marketing programmes of any company other than AQUASOURCE; or
- (c) persuade any Distributor to cease being a Distributor.

Should AQUASOURCE discover at any material time that a Distributor has attempted to cross line sponsor into another opportunity an AQUASOURCE Distributor whom he/she had not personally sponsored, AQUASOURCE will take all necessary steps to enforce the provisions of the Agreement, (which includes the Distributor Agreement and the Policies & Procedures) and in particular in accordance with paragraph 33 of these Policies and Procedures in this respect.

In the event that AQUASOURCE suffers any loss as a result of the breach of this paragraph by the Distributor the Distributor agrees to indemnify AQUASOURCE against all such loss damages and costs (including legal and other expenses).

28 **COMPANY ASSURANCE**

AQUASOURCE assures its customers and Distributors that its products are of satisfactory quality of manufacture in addition to the statutory legal requirements. Should any product prove to be defective at the time of delivery to a customer by a Distributor, it is the responsibility of the Distributor to ensure that the customer is aware of the need to notify the Distributor of the defect within seven days of receipt of the product. It is the responsibility of the Distributor to collect the defective product and return it to AQUASOURCE within a further seven days for replacement to the Distributor. The Distributor is responsible for refunding/replacing the product to the customer.

29 COMMUNICATION

Distributors should initially contact their Upline to resolve queries. When contacting AQUASOURCE either by telephone or in writing to assist the staff in dealing quickly and efficiently with queries, Distributors must quote their Distributorship number and give a daytime telephone number

30 TERM OF AGREEMENT

The Agreement shall commence on acceptance of the Distributor Agreement by AQUASOURCE issuing to the Distributor his/her ID Number. It shall continue unless otherwise terminated in accordance with these Policies and Procedures until 31 December in the calendar year of acceptance of the Agreement and thereafter will be renewed automatically for further one year periods by the Distributor (subject to acceptance by the Company) on its then applicable terms and conditions provided that the Company may give the Distributor 28 days notice in writing to expire on the annual renewal date that it does not intend to renew the Distributor Agreement

31 CHANGE OF ADDRESS

It is the Distributor's responsibility to inform AQUASOURCE in writing of any change of address. AQUASOURCE reserves the right to charge a fee of €3.50 or equivalent in local currency If a Distributor wishes to change his/her country of registration as an AQUASOURCE Distributor he/she must advise AQUASOURCE of his/her new address, complete and submit to AQUASOURCE a Distributor Agreement for his/her new country of residence and provide to AQUASOURCE evidence of his/her residential address in the form of a copy of a utility bill addressed to him/her.

32. CONCILIATION

On receipt of information/evidence of an alleged breach of the Distributor Agreement or the Policies and Procedures, AQUASOURCE shall serve written notice to the Distributor, whereby AQUASOURCE informs the Distributor of the nature of the alleged breach and the commencement of a conciliation procedure for resolving the disagreement.

The conciliation procedure shall be deemed as started on the next business day following dispatch of the above written notice ("conciliation commencement date"). The conciliation procedure may continue for a period of up to ninety (90) days starting from the conciliation commencement date.

The conciliation procedure shall be conducted in accordance with the following rules:

- (1) From the conciliation commencement date, the performance of the Agreement by both parties is temporarily suspended, as follows:
 - (i) The Distributor must cease to act as an AQUASOURCE Distributor. He/she must not order or purchase products and AQUASOURCE is under no obligation to supply any products.
 - (ii) The Distributor ceases to be entitled to Distributorship benefits and to commission payments. Such benefits and entitlement to commission payments will cease to be calculated from the commencement of the volume month in which the conciliation commencement date occurred. In the event that any payments relating to this period have already been paid to the Distributor, he/she must refund them to AQUASOURCE pending resolution of the dispute.

- (2) The Distributor may respond in writing to the allegations within ten days from date of receipt of the notice for the commencement of conciliation procedure but not later than fifteen days from the conciliation commencement date. Failure to respond within this period will be considered by AQUASOURCE as admittance of the alleged breach.
- (3) AQUASOURCE will consider any timely response to the allegations in the light of the available information and conduct further inquiries and investigations, if necessary. AQUASOURCE will inform the Distributor in writing of its final position on the alleged breach within a ninety-day period from the conciliation commencement date.
- (4) If AQUASOURCE's final position is that the Distributor has breached the Agreement or the Policies and Procedures, subject to any appeal as provided below, AQUASOURCE shall be entitled to terminate the Agreement as of the conciliation commencement date by a written notice to the Distributor.
- (5) AQUASOURCE shall notify the Distributor in writing of any determination. The Distributor will then be allowed twenty one (21) days in which to appeal the disciplinary action in writing to AQUASOURCE. Appeals should be made to the Appeals Committee, which shall hear any such appeals once per calendar month. The Appeals Committee shall be comprised of two (2) Distributors (who are not in the upline or downline of the Distributor who is the subject of the appeal) and two (2) AQUASOURCE Directors (or their appointees).
- (6) If AQUASOURCE's final position is that the Distributor has not breached the Agreement, the performance of the Agreement shall be resumed immediately and the entitlements to benefits of Distributorship and commission payments will be reinstated with effect from the conciliation commencement date.

Neither party shall be entitled to seek compensation/indemnification from the other party for any damages and losses incurred by that party as a result of the temporary suspension of the performance of the Agreement.

33 **TERMINATION**

AQUASOURCE or the Distributor may terminate the Agreement without penalty at any time in accordance with the terms of the Agreement by either party supplying fourteen (14) days written notice of termination. On termination the right of a terminated Distributor to receive compensation from AQUASOURCE ceases immediately. Further a terminated Distributor must cease to sponsor Distributors, using AQUASOURCE promotional materials, trademarks, logos and representing him/herself as a Distributor or acting in any way which may be adverse to the business of AQUASOURCE or its Distributors.

If AQUASOURCE wishes to terminate the Agreement written notice shall be sent by recorded/registered post to the Distributor's Registered Address and it will be deemed to have been received on the next business day following dispatch, taking account of Saturdays, Sundays and Bank Holidays.

Should the written notice be delivered personally, then it will be deemed to have been received at the time of delivery and must be signed for by the Distributor.

The Distributor must address any notice to AQUASOURCE at its Registered Address in the country in which the Distributor is registered as a Distributor, marked for the attention of the General Manager. Such notice may be sent by recorded/registered post, facsimile transmission or personal delivery.

From the date of termination of an Agreement, whether originating from AQUASOURCE or the Distributor, a minimum period of six (6) months must elapse before the Distributor and/or his/her spouse co-habitee or registered partner (if applicable) may submit a Distributor Agreement to rejoin AQUASOURCE.

On termination either by the Distributor voluntarily or by AQUASOURCE the existing Downline of the Distributorship moves up to the next upline Distributorship.

On termination of the Agreement for any reason the Distributor shall promptly, at the option of AQUASOURCE, return or destroy any confidential information of AQUASOURCE, and copies of the same on any media, and shall provide such evidence of destruction or return as AQUASOURCE shall require.

34 **SALE OF DISTRIBUTORSHIP**

Distributorships together with or any rights ensuing there from may be sold subject to the prior written approval of AQUASOURCE. Approval may be granted as long as in the opinion of AQUASOURCE no Upline or Downline is disadvantaged. The Sponsor must be offered first refusal. Where the Distributorship is offered to the Sponsor the Sponsor must accept or decline the offer within seven (7) days. If the Sponsor declines the offer of sale the Distributorship may be sold to a non-Distributor who fulfils AQUASOURCE's eligibility requirements. Before the sale of a Distributorship can be approved, written documentation must be sent to AQUASOURCE from all parties concerned. Distributors who sell their AQUASOURCE businesses must wait at least six (6) months before submitting a Distributor Agreement to rejoin AQUASOURCE.

35 **MULTIPLE DISTRIBUTORSHIPS**

No Distributor may own or part own or control directly or indirectly more than one Distributorship.

36 **DEATH AND INHERITANCE**

Upon the death of a Distributor, the rights and responsibilities of Distributorship may be bequeathed or inherited subject to AQUASOURCE receiving officially documented validation of the rightful beneficiary(ies). The heir(s) may assume the Distributor's full rights to continue the Distributorship under the terms of the Agreement or have entitlement to financial settlement of any monies that may be due to the Distributorship up to and including the date of death of the Distributor. AQUASOURCE will only recognise the legal heir(s) and reserves the right to suspend the Distributorship pending receipt of a certified copy of the Grant of Probate or other equivalent document according to the laws of the country of residence of the deceased Distributor evidencing the entitlement of the heir(s). AQUASOURCE will not determine the division of monies between beneficiary(ies), or in any disputes that may arise between beneficiary(ies). AQUASOURCE reserves the right to suspend the Distributorship pending receipt of the documentation evidencing the heir(s) entitlement. If the heir(s) wishes to assume the Distributorship they must do so on the terms and conditions of the Distributor Agreement, Policies and Procedures and Euro Business Programme as if they were a party thereto and must submit to AQUASOURCE a signed Distributor Agreement.

Notwithstanding the foregoing,

- i. if the legal heir(s) is not of legal age or otherwise ineligible to become an AQUASOURCE Distributor, the legal heir(s) shall be entitled to financial settlement of any monies that may be due on terminating the Distributorship, or to have the Distributorship held in trust by the executors of the estate or their appointees for the benefit of the legal heir(s), or for the executors of the estate to sell or otherwise dispose of the Distributorship in accordance with paragraph 34 of these policies and procedures; and
- ii. if the legal heir(s) is already an AQUASOURCE Distributor, the legal heir(s) shall be entitled either to financial settlement of any monies that may be due on terminating the Distributorship or to retain only one of his/her AQUASOURCE Distributorships. The Distributor shall notify AQUASOURCE, within 7 days of his/her being advised of his/her entitlement as legal heir(s), which Distributorship he/she wishes to sell or otherwise

dispose of in accordance with paragraph 34 of these Policies and Procedures. From the date of notification of intention to sell a Distributorship in accordance with this paragraph AQUASOURCE will suspend the position being sold until completion of the sale or disposal.

37 **AMENDMENTS**

From time to time it may be necessary for AQUASOURCE to update various aspects of its business procedures and charges in order to comply with changes in legislation or economic circumstances. Distributors will be notified of any such amendments to the Distributor Agreement, the Policies and Procedures, Euro Business Programme, customer services and charges either by personal correspondence (including where appropriate fax or e-mail) or through publication in the Newsletter or on the AQUASOURCE Official Website. Any such amendments will become an integral part of the Agreement with effect from the date specified in the correspondence or the Newsletter. The Distributor understands and agrees that his/her continued purchase of products, sale of products to customers and promotion of the AQUASOURCE business opportunity after notification of any amendments to the Distributor Agreement, the Policies and Procedures and the Euro Business Programme shall constitute his/her acceptance of any such changes.

38 **WAIVER**

No failure to exercise and no delay in exercising on the part of AQUASOURCE any right under Agreement shall operate as a waiver thereof. Any waiver by AQUASOURCE shall be issued in writing by AQUASOURCE.

39 **SEVERABILITY**

Should any part of the Agreement, or any other instruments referred to herein or issued by AQUASOURCE, be declared invalid by a court of competent jurisdiction, the balance of the Agreement or instruments shall remain in full force and effect.

40 **NOTICES**

Any notice given under these Policies and Procedures and the Distributor Agreement may be delivered personally, or sent by first class recorded delivery post to the Registered address of the parties or as otherwise provided in this Agreement or as shall have been notified from time to time in writing by one party to the other. In respect of any notice given by the Distributor to terminate the Agreement the period of notice shall, when given by post, start to run from the day when such notice is posted by first class recorded/registered delivery post to AQUASOURCE.

41 **FORCE MAJEURE**

AQUASOURCE shall not be responsible for delays and failures in performance where performance is made commercially impracticable due to circumstances beyond AQUASOURCE's reasonable control. This includes without limitation, strikes, labour difficulties, riot, war, fire, death, and curtailment of AQUASOURCE's usual source of supply or government decrees or orders.

42 ENTIRE AGREEMENT

The Agreement comprises the Distributor Agreement and these Policies and Procedures and the Euro Business Programme, as the same are amended from time to time, which separate documents are expressly incorporated into the Agreement and together constitute the entire agreement between AQUASOURCE and the Distributor and supersede any previous agreements, representations or undertakings.