

# FLAVON'S INTERNATIONAL ORGANIZATIONAL AND OPERATIONAL REGULATIONS

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## I./ Important information

Name: Flavon Express Kft. (hereinafter referred to as Flavon)

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tax number: HU14564169

statistical number: 14654169-4638-113-09

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The present rules shall form an integral part of the Membership Agreement and the Do Business As Agreement. This policy applies to Members who are not resident in Hungary, Slovakia or Romania and to DBAs who are entitled to a commission for building Flavon's international network.

## II./Introduction

Thank you for taking the time to read our Organizational and Operational Regulations. The main goal of our regulations is to inform you about all the important information and the rules used by Flavon. Flavon reserves the right to amend this regulation anytime. The policy ever in force is available in your Back Office. If you have any questions regarding the rules, please contact our colleagues at [info@flavongroup.com](mailto:info@flavongroup.com).

In its network, Flavon markets its products to independent Members and their enterprises.

Flavon's approach and philosophy is to

- a) make a unique dietary supplement product line available to everyone, thus contributing to consumers' health conscious nutrition;
- b) make an extraordinary business opportunity available to everyone, by which everyone participating in the sales of Flavon products may receive material appreciation, thus providing a chance to achieve a prosperous business and financial independency.

Neither Flavon's employees, nor its Members can guarantee a particular income to anyone; one's income depends on the person's aptitude, skills and invested work.

Products may only be marketed in MLM – multi-level marketing.

### **III./ Definitions**

#### **1. Member/registration carton**

A Member is a natural person who enters into a Membership Agreement with Flavon. After the registration the new Member receives a registration e-mail and an ID number starting with M-. The condition of becoming a Member is to purchase the registration carton within 3 months after the Membership Agreement is signed or the registration is finished. Flavon categorizes Members into 3 groups: Customers and Networkers.

#### **2. Customer**

A Customer is a Member who joined our system solely to purchase Flavon products for personal use and/or for their family; Customers do not perform networking, sponsoring activities. Neither Customers, nor their enterprise conclude a Do Business As agreement (DBA agreement) with Flavon for the given position.

#### **3. Networker / sponsor**

A Networker or sponsor is a Member who performs networking and sponsoring activities for Flavon and as a result, there is at least one Member in Flavon's system directly recruited by him/her. The Sponsor is the Member who directly recruited the given Member. Networkers are required to enter into a Do Business As agreement with Flavon by a company, hereinafter referred to as DBA, through which the Networker/Sponsor carries out their networking and sponsoring activities.

#### **4. Carton**

A carton is 4 jars of products in case of Basic products, 3 jars in case of Premium products or 60 sachets in case of Peak products. Mixed cartons are also available.

#### **5. VIP Pack/VIP Member**

If Members buy a VIP Pack, containing 8 cartons of products at one time, they pay a special, reduced price. The price of the VIP Pack is listed in the prevailing price list. Members purchasing a VIP Pack are called VIP Members who are entitled to the following advantages for 12 months after achieving the status:

- a leadership business position (a position starting with "L-")
- a VIP badge;
- a dedicated place in the first lines at the central events of Flavon business group;
- see both of their own and their entire network's turnover
- further special reports available in the Back Office;

There is no compensation for personal turnover for a VIP pack.

#### **6. Activation carton**

An activation carton is the first carton purchased from any Flavon company in a given month, equalling 3 points. The purchase of the activation carton is one of the conditions (being active) of earning commission on the position in the given month. Nevertheless, the purchase of the activation carton alone is not sufficient to fulfil the Networker's duties.

#### **7. Leadership business position**

The Leadership business position is the exclusive privilege of VIP Members; it is a second position connected to the VIP Member's position. The Leadership business position is directly under the VIP

Member's M- position, its ID number starts with "L-". The VIP Member's position and the Leadership business position together are considered as Unified Membership. Upon the termination of the VIP Member's status, the L-position is automatically terminated as well.

The Leadership business position has the same status as the VIP Member's position, which means that:

- if the VIP Member's position is terminated in any form, the related Leadership business position will be terminated as well.
- activation cartons cannot be bought for this position, the conditions of the active Leadership business position are:
  - activation carton is purchased on the VIP Member's position and
  - the turnover of the VIP Member's network must reach at least 300 points on 6 levels in the given month, excluding the turnover generated under the Leadership business position.

Purchasing a VIP pack entitles Members to have the Leadership business position for 12 months, starting from the date of the last VIP Pack purchase. Without a new VIP pack purchase, after 12 months, the L position will be automatically deleted and the Members sponsored by this position will be sponsored by the VIP Member's M-position.

#### 8. Partner-position

Upon registration Customers are entitled to name another natural person with whom they will share the position. The designated person, listed secondly, is the Partner of the Customer, whose name will be displayed during qualifications and events, together with the name of the Customer. The Customer is responsible for the lawful activity of the Partner. The Partner is not Flavon's independent contracting partner and therefore an independent legal relationship is not formed.

#### 9. Personal turnover

A Member's Personal turnover means every purchase of Flavon cartons registered for the given position during a month. Types of cartons: registration carton, activation carton, cartons above the activation carton.

#### 10. Sponsor line

A sponsor line is a chain of members; a particular Customer, her/his active sponsor, the active sponsor of his/her sponsor, etc., who cooperate in networking activities. All sponsor lines start from Flavon. The sponsor line is not broken even if any of its Members becomes inactive, quits or is excluded from the network. In this case, the sponsor line continues to function by leaving out the inactive Member.

#### 11. Team

A team is a network, started and sponsored by the Networker.

#### 12. DBA - Do Business As

Do Business As (DBA) is a business organization, sole proprietor or any other VAT registered form according to legislation of the given country, – not including non-profit organizations – which enters into a Do Business As agreement with Flavon.

#### 13. Turnover of the month

The turnover of the month is the total amount of business generated in the Networker's team, for which all the payments are received by Flavon by the closing date of the given month. The closing

dates are available on Flavon's official website, at "Closing dates". If a report, sum of money, membership agreement, etc. arrives to Flavon after the above mentioned closing time (punctually to the hour), it will be registered and accounted for the next month.

#### 14. Closing dates of the month

The closing dates of the month are listed at the "Closing dates" menu on the website of Flavon.

#### 15. Points

- a) 3 points: registration cartons and activation cartons mean 3 points.
- b) 2 points: every carton purchased in addition to the registration or the activation carton in a given month means 2-2 point.

#### 16. Quick start period

The Quick start period is the month the new Member joins and the following month.

#### 17. Quick start points

The calculation method of quick start points, necessary for leadership positions and other qualifications, is summing the points gained for the purchases of quick starters on the first 3 active levels of the Member in question.

#### 18. Compensation

There are two types of compensation at Flavon:

- a) vouchers and
- b) commission: basic commission or leadership bonus (differential bonus or extra differential bonus).

#### 19. Basis of compensation / base price

The basis of commission is the base price of one carton product. For the amount of commission base please see Flavon's prevailing price list.

#### 20. Autoship

Members registered for the Autoship program are offered continuous activity. With the help of a one-time registration and credit card transaction online, further payments can be initiated, with the bank card information provided earlier. This way, the Member gets automatically activated by Flavon, each and every month. The detailed terms and conditions of the autoship system can be found in Flavon's Operational and Organizational Rules, in annex no. 1.

#### 21. Self-billing

Flavon itself prepares the DBA's invoice of commission on behalf of the DBA. Flavon does self-billing only, if authorised by the given DBA agreement or by an individual agreement between Flavon and the DBA.

#### 22. Force majeure

Neither party shall be in breach of contract or liable for any delay or failure to perform any of its obligations under any agreement or contract with Flavon if such delay or failure is the result of an event, circumstance or cause beyond its reasonable control. In such circumstances, the period of performance shall be extended by a period equal to the period during which performance of the obligation was delayed or failed OR the party concerned is entitled to a reasonable extension of the period of performance of the obligation. If the period of delay or non-performance continues for a

period of 2 months, the non-affected party may terminate the contract concluded by giving 30 days' written notice to the affected party.

#### **IV./ Members**

Every Member is an independent contracting party who is obliged to run her/his business in line with the Membership Agreement and the laws of the Member's particular country. Only an adult natural person can become a Member. Members and DBAs are obliged to fully comply with applicable regulations and with this Organizational and Operational Regulation, and to act according to them during the course of legal relationship.

##### **1. Member and DBA**

If a company, indicated by the Member, enters into a Do Business As agreement with Flavon on the Member's position, the DBA will be entitled to the compensation generated on the position.

In case of having any changes in the company's details, in the legal relationship between the company and the Member or in the Member's personal details, the Member/DBA is obliged to inform Flavon about it with no delay. Flavon accepts no responsibility for any undue transfers or payments caused by the lack of notice. Flavon is entitled to immediately terminate the agreement regarding the failure to fulfil the obligation to provide information.

##### **2. The principle of "one Member-one position"**

Members can have only one position in Flavon's system. Concluding or transferring fake, fictional agreements or agreements with an ulterior motive is strictly forbidden. If any Member or DBA enters into or cooperates with an agreement like this, it will result in immediate exclusion.

##### **3. Unified membership**

Positions of spouses, life partners or relatives living in the same household are handled as one position, thus they can be placed exclusively on the same sponsor line, sponsoring each other.

The regulations on the Unified Membership of the present Organizational and Operational Regulations shall be applied as if it was one position. If it comes to terminating any of the Membership statuses, for any reason, the Membership will be terminated automatically regarding the side position, too – except for cases regulated by section IV/8 a and c - and the DBA agreement(s) registered by the Members will be terminated as well. If Flavon learns that the spouse, life partner or relative, living in the same household of any of the Members, is registered to a different sponsor line, the Member in question will be transferred automatically below the position of his/her spouse, life partner, or relative living in the same household.

##### **4. Transferring positions**

The Membership status is bound to a person; it can only be transferred with a prior written consent of Flavon, which the Member must request in writing. The condition of approval in respect of a position transfer is that the new owner commits himself/herself to purchase the activation carton on the respective position in the first three months after the position transfer. It is a serious breach of contract if the new owner fails to comply with this obligation. Flavon will make a decision within 30 days upon receiving of the request. Partner-positions and Unified Membership can be transferred together only. When the Membership status is transferred, the Membership of the former Member is terminated; the Member loses her/his network and cannot join any other Member for 1 calendar year. As a new

Member she/he can rejoin her/his former sponsor any time. The original owner is entitled to invoice the commission accumulated on the position before the transfer. After the transfer it is the new owner of the position who controls the commission accumulated. Commissions cannot be collected retrospectively.

#### 5. Exchanging positions

The same rules apply to exchanging Membership statuses as to transferring positions with the exception that the Membership statuses are not terminated, as the two Members transfer their positions to each other. Flavon may reject any exchange requests. If the underlying intention of the exchange is changing sponsors, modifying or rearranging the structure, it will result in immediate exclusion.

#### 6. Changing Sponsors

Members can change their sponsor only with Flavon's permission, on condition that the Member requests the sponsor change in writing, and the Member's sponsors on 12 levels consent to it. If the sponsor line is not that long, signatures must be collected up to Flavon inclusively. Partner-positions and Unified Membership can request sponsor change together only. The Member requesting the change will be deleted from his/her earlier position and will be allowed to join his/her new sponsor immediately. In this case, Members cannot take any of their recruited Members, or their Network with them, they will be taken over by the Member's former direct sponsor. Flavon may reject any request of sponsor change if there are grounds for assuming the underlying intention of modifying or rearranging the structure.

#### 7. Losing one's team

If the Sponsor does not buy his/her Activation carton for in 6 consecutive months, she/he will be reclassified as a Customer and will lose his/her whole team (of unlimited levels) after the closing of the 6<sup>th</sup> inactive month. In this case, the team goes up one level in the sponsor line, to the next active Member. After losing one's team, the Member does not have the chance to get it back, but can become a Sponsor again by building a new team.

#### 8. Termination of a Membership Agreement

a) Any party can terminate the Membership Agreement by the end of the month, by sending a written notice to the other party. If former Members wish to be Flavon's Member again, they can join anybody after 1 year of the termination. Within 1 year they can only register under their former Sponsor as a new Member, but they cannot get back their former network.

b) Expulsion: Flavon is entitled to terminate the Membership Agreement and the DBA agreement with immediate effect in case of a breach of contract by sending a written notice to the Member. At the time of expulsion, Flavon terminates the expelled Member's DBA agreement. Non-compliance with the Membership Agreement, with the DBA agreement, with these Organizational and Operational Regulations, not keeping in touch with Flavon and non-cooperation will result in immediate expulsion. Members and their relatives expelled for breach of contract cannot join Flavon for 1 year from the expulsion.

c) Inactivation: if the Member does not buy his/her Activation carton for 12 consecutive months, his/her Membership Agreement will be terminated and the Member will be deleted from Flavon's system. The DBA agreement on this position will also be terminated automatically.

The network of the terminated position will be moved one level higher on the sponsor line with regards to the termination.

#### 9. Presumption of delivery

If the delivery of any document failed because the addressee did not take it, refused to take it, or moved to an unknown location, the document shall be deemed to be received on the 5th working day after the second try of the postal delivery.

#### 10. Other MLM networks

Prior to signing the Membership Agreement and the DBA agreement, Members are obliged to inform Flavon if they, their close relatives, or a company at which the Member is a representative, a member or an employee performs commercial agency activities of similar scope (i.e. are members of another network), in knowledge of which Flavon may deny to contract.

If a Member or a company at which the Member is a representative, a member or an employee wishes to join another company operating in a similar system, directly or indirectly (i.e. wants to sign an agreement about commercial agency activities of similar object, with another company), the Member is obliged to obtain a prior written consent from Flavon. It is a serious breach of contract from the Member's and the DBA's side if a Member fails to learn the provisions laid down above, which will result in immediate exclusion.

It also results in exclusion if the Member and/or the DBA is an owner or a representative in any other company that works in MLM-system and/or distributes dietary supplements.

#### 11. Discounting

Flavon's interests are harmed if the Member or anyone connected to him/her in a verified manner distributes Flavon products at a lower price than in the prevailing price list.

#### 12. Advertising, promotional materials

Members can only use publications, brochures, books, CDs, DVDs and websites which were released by Flavon. These materials cannot be altered and must be applied for proper use and purposes. Creating own materials and advertisements should always be approved by Flavon in advance. Members are forbidden to make any misleading statements about the products or to attribute healing or preventive effects to them. Everyone is free to share their own personal testimonials. Making any statements to the press or media (either in written or electronic form) about the products or the network is forbidden without the written permission of Flavon. Members shall take all consequences of their unfair market behaviour. With regard to this behaviour, Flavon holds no responsibility.

#### 13. Cross-line sponsoring

A. Sponsors violate Flavon's interest, if they are aware that their potential new Member is already registered to Flavon's network in a different sponsor line, and yet they sponsor her/him as a new Member. Sponsors who engage in cross-line sponsoring and - with that - in concluding fictional contracts, will lose their commission for 1-6 months - upon the violation of rules is unveiled - depending on how many cases of cross-line sponsoring they were engaged in. In serious cases, Flavon has the right to exclude the Sponsors from the system, i.e. to terminate their Membership Agreement and the DBA Agreement, due to breach of contract.

B. A Member who is involved in cross-line sponsoring (i.e. previously joined the network on a different line and is joining another sponsor by entering into a new fictitious contract) can only

keep the position belonging to the first registration, all the other positions will be deleted, teams built and commission generated on them will be lost, as soon as the violation becomes known. If a Member violates this clause again, Flavon has the right to terminate his/her Membership Agreement and DBA Agreement due to serious breach of contract.

#### 14. Training and events

Participating in training and events organized by Flavon is free in all cases, except for anniversary events. Conditions of participating in certain special training sessions are sent in e-mail to the Members and published on Flavon's website. Travelling and accommodation costs of the trainings are covered by the participants themselves, unless Flavon takes these costs over according to the fulfilment of the conditions, defined in the announcements.

### **V./Product prices**

#### 1. Price for Members

For Members the current price of one carton of product is displayed in the webshop, operating on Flavon's official website. When placing an order on the website, prices listed on the day of the order are relevant.

#### 2. Voucher

1. Vouchers are issued to a given position.
2. In line with the compensation plan, for the turnover of their network Members receive vouchers - of not more than 60 % of the base price - entitling them to purchase products at a preferential price, indicated on the voucher.
3. By default, one voucher is issued for a position every month, if the amount of turnover for that month makes it possible.
4. Members can set the preferred number of vouchers from their turnover in their Back Office until the last working day of the month.
5. Maximum 3 vouchers (not more than 60 % of the base price) are issued in a month for the active positions that meet the above mentioned conditions. Vouchers entitle Members to purchase products at a special price, displayed on the voucher (different from the standard price). The number of vouchers issued depends on the turnover on the position.
6. If Members would like to request more than one voucher, but their turnover does not make it possible, they will be entitled for only one, they will receive only one voucher.
7. If Members also have turnover at another Flavon company, located in another country, they can request vouchers from that other company as well, until the last working day of the month.
8. Vouchers may be used for 12 months after they are issued.

### **VI./ CP (Coordination-Point)**

Coordination Point owners are those Members or DBAs who enter into a Coordination Point agreement with Flavon.

Eligibility conditions of concluding a CP agreement:

1. the Member or DBA is entitled for commission worth of at least the price of 12 carton of products in two successive months, or
2. the Member or DBA is given a guaranty of payment by an Elite Leader and their DBA in the Member's sponsor line, whose network reached at least the Elite level turnover in the previous month, or
3. the Member or DBA deposits the value of 12 cartons of products to Flavon when placing the order.

The CP owner and Flavon enter into a separate agreement with each other with the purpose of the CP owner supplying products directly to current or future Members and DBA-s. The CP owner can order 12 cartons of product at the same time which the CP owner reports and pays for after they are sold. The CP Owner makes reports in the Back Office. The CP owner transfers the payment received for the sold products to the bank account of Flavon on the day of the sale. The payments received by the CP owners for the sold products are not the property of the CP owners, thus they cannot use them as their own. If the CP owners do not transfer the received money without delay, they will commit a serious breach of contract, which will entail the termination of the CP Agreement, the DBA agreement, and all the Membership Agreements related to the DBA agreement, with immediate effect. Flavon will issue invoices to customers whose names are reported by the CP owner.

## **VII./ Rules about the payment of commission**

### 1. Declaration of commission

Flavon pays commission for any cartons purchased for personal use, in addition to the activation cartons and purchases in the network, if the Member is entitled for commission above the vouchers.

### 2. Conditions of commission payment for the DBA

- a. legal entity, sole proprietorship or other form of association designated under the legislation in force in the country concerned, which can be checked in an electronic official register (DBA);
- b. existing DBA agreement between the DBA and Flavon, for the given position;
- c. existing, legal relationship between the DBA, registered in point no.1, and the Member on the given position, entitling the Member to perform the given activity;
- d. the existence or the launch of the relevant scope of activity by the DBA, entitling the DBA to perform networking activity;
- e. the DBA does not pursue any other commercial networking activities within the same scope, with any other businesses;
- f. Additional conditions for a DBA, with a foreign headquarter:
  - i. in case of a DBA is registered within the European Union, the existence of a valid EU VAT number;
  - ii. full compliance with the rules of the home country for headquarters.

The DBA is entitled to collect the monthly commission indicated on the certificate of fulfilment, against invoice.

### 3. Special rules for DBAs under tax form KATA

3.1 A DBA opting for the KATA tax form (hereinafter referred to as a KATA DBA) shall indicate its KATA status on the DBA Agreement at the time of entering into the legal relationship.

3.2 The monthly average of the commission credited to a KATA DBA for the last three months of the year is referred to as the deemed monthly commission. If the total value of the invoices issued by the KATA DBA in a given year and the value of the deemed monthly commission reaches or exceeds HUF 3 000 000 (calculated by the MNB exchange rate on the date of payment in case of a different currency), the KATA DBA's DBA Agreement shall automatically terminate. In respect of a terminated DBA Agreement, the KATA DBA may no longer issue an invoice to Flavon with a value exceeding HUF 3 000 000 (calculated by the MNB exchange rate on the date of payment in the case of a different currency) for the relevant year.

3.3 If the Member has previously entered into a DBA Agreement with a KATA DBA on a given position, Flavon will enter into a DBA Agreement with a new KATA DBA on the same position only if the amount of commission paid to the previous KATA DBA in the current year does not exceed HUF 1 000 000 (calculated by the MNB exchange rate on the day of payment in case of a different currency).

If two KATA DBAs have already entered into a DBA Agreement for a given position, Flavon will not enter into a DBA Agreement for the same position with a third KATA DBA.

#### 4. Conditions of generating commission in the given month

1. activation carton is purchased in the given month before 12.00 noon, on the last working day of the month,
2. responsibilities of the Networker and DBA are fulfilled (see sec. 12),
3. DBA issues an invoice
4. fulfilment of other conditions indicated at certain types of commission.

If Flavon learns subsequently that Networkers and DBAs did not fulfil their responsibilities, Flavon has the right to withdraw the generated commission from them.

#### 5. Certificate of Fulfilment

Flavon issues a Certificate of Fulfilment based on the sales of the given month for each DBA, eligible for commission and sends the document electronically to the e-mail address provided by the Members no later than the 8th day of the following month. The Certificate of Fulfilment only involves commissions generated above vouchers. If the Members do not agree with the records in the Certificate of Fulfilment or if they do not match the Member's records, they have 15 days following the date of receipt to inform Flavon about the discrepancies. We will not take into consideration any complaint received thereafter. The commission is then paid after the commission invoice is received.

#### 6. Deductible items from the commission

Directly from the commission amount, Flavon deducts all taxes, public liabilities collected as taxes, which Flavon as the payer of commission has to settle according to the respective country's regulation, if the related regulations allow such deduction.

#### 7. Network management fee

Flavon may charge network management fee for every DBA if the management of the given network results in extra costs, expenditures for Flavon, and the DBA's commission generated in the given month reaches or exceeds 60 euros in the Certificate of Fulfilment. In this case, the amount of network management fee is 1 euro gross every month, for each active Member in the relevant network. Flavon invoices the network management fee to the DBA and compensates it with its payable commission.

#### 8. Deadline for collecting commission

After the end of Flavon's business year (1 January - 31 December) there is no possibility to collect commission retrospectively. Commission, generated by the turnover of December, can be collected until 31 December of the following year.

#### 9. Responsibilities of Networkers and DBAs

- a. full compliance with the DBA agreement, with these Operational and Organizational Rules and Regulations, General Terms and Conditions and the relevant legislations;
- b. in case of having any changes in their data, legal relationship (in compliance with the data protection rules), they must notify Flavon immediately;
- c. in case the DBA, its affiliates, any of its members or representatives want to join another system with a similar scheme; with the aim of entering into a contract with it, obtaining Flavon's prior, written consent is a must (excluding Flavon's affiliates), before entering into the new contract. The lack of such consent results in the immediate termination of both the Member's DBA agreement and Membership status;
- d. shall make all reasonable efforts to perform their duties.

#### 10. Tasks of Networkers and DBAs

- a. tasks of a Sponsor: Networkers assist the work of their team; pass on relevant information according to their leadership ranks; train their Members, attend the team's internal meetings; stay in touch with their Members and answer their arising questions; inform them about the actual qualifications and upcoming events, coordinate their participation; present new Members with Flavon's regulations and events enhancing networking, and also with the use of the tools provided by Flavon;
- b. tasks of a Networker:
  - to recruit new Members; work actively and take all the reasonable steps in order to sell products and to build his/her team;
  - to register new Members to Flavon;
  - to participate in Flavon's events at appropriate intervals, and to give presentations upon request;
  - to keep in touch with Flavon in person, via e-mail or by phone.

#### 11. Consequences of not performing the Networker's tasks

- a. If Members do not fulfil their duties, Flavon will send them a letter of formal notice, summoning them to perform their duties by denoting an additional deadline to do so. If this period, denoted in the letter of formal notice ends with no effect, Flavon is entitled to terminate the Membership Agreement and also the DBA agreement with immediate effect, for committing a serious breach of contract.
- b. In case Flavon subsequently becomes aware that any of its Members or DBAs failed to fulfil their duties, a claim of penalty payment for non-fulfilment will arise. The extent of the penalty equals the commission of the Member/DBA, generated in the months affected by the breach of contract. Flavon is entitled to include the amount of the Member's/DBA's commission - which was credited but was not collected yet - into its claim of penalty payment.

#### 12. Termination/automatic termination of the DBA agreement

##### 14.1 Termination of the DBA agreement

- a. Any party can terminate the agreement by giving a written notice; the agreement shall be treated as terminated by the end of the month. The notice period is 1 month in the first year of the contract, 2 months in the second year and 3 months in the third year and thereafter.
- b. In case of a breach of contract, a party can terminate the agreement with immediate effect by giving a written notice to the other party, if the other party seriously breaches its obligations set out in the agreement, in the Organizational and Operational Regulations or legislation in force. For DBAs especially the following activities are considered a breach of contract:
  - illegal advertisement of the products in pharmacies;
  - discounting;
  - the evasion of the network structure, or the attempt for such evasion by fake contracts;
  - to state that the products have healing properties;
  - to make statements prejudicing Flavon's reputation;
  - for the DBA, or its related undertaking, or any of its members or representatives to join another company working with direct sales system, either directly or indirectly through a different company; without Flavon's written consent.
- c. Changing contracting party: DBAs can initiate with Flavon the termination of their DBA agreement by the end of the reference month, with the form provided for this purpose, by mutual agreement on condition that at same time the Member enters into a new DBA agreement with a new DBA, coming into effect from the first day of the month, following the reference month. In this case, the existing Membership Agreement for that position will not be terminated.

In case the DBA agreement is terminated, the Membership Agreements of those Members who are representatives or members of the DBA are also terminated, except when the DBA agreement is terminated in mutual agreement, as per part c) of this section.

If the Member or DBA violates the terms of their agreements with Flavon or this regulation, the obligation of penalty payment and indemnification will be imposed on them. The amount of penalty is ten times of the commission that the Member or DBA received for their turnover in the previous month, or if the starting date of violation of any obligation cannot be determined, the amount of penalty is ten times the average of the commissions generated in the last 12 months. The entitled party can claim refund on their damage over the penalty.

#### 14.2 Automatic termination of the DBA agreement

- a. Losing one's team: if the Sponsor does not buy his/her Activation carton for the given month in 6 consecutive months, the DBA agreement between the Member's DBA and Flavon will be terminated automatically;
- b. the DBA agreement is terminated if the DBA's insolvency is established or if the DBA is the subject of a bankruptcy proceeding, compulsory liquidation, liquidation or forced strike off;
- c. the DBA ceases to exist
- d. in case of KATA DBAs, the automatic termination grounds set out in these Rules (see VII.3.).

DBAs are obliged to inform Flavon about any events listed in this section and about any changes in their data.

## VIII./ Compensation plan<sup>1</sup>

Types of commission described in this section are calculated based on the turnover generated by the given position's network, so the Member's position itself is the subject of all rules listed here.

### 1. Types of commission

Up to 65% of the base price of Flavon products is allocated as commission: 60% as basic commission and 4%+1% as leadership bonus. The amount of commission calculated this way is a net amount. Basic commission cannot be blocked, while leadership bonus is a differential bonus, therefore it can be blocked.

### 2. Types of basic commission

#### 2.1 Commission for personal turnover

Members receive no commission for their first carton of products purchased in the given month (i.e. the activation carton). If Members purchase more cartons in the same month, except for VIP pack, they get a commission of 20% of the base price for each carton above the activation carton, after the closing of the given month, irrespective of the date of the Member's registration.

#### 2.2 Quick start

When new Members join the network, the sponsor line receives commission on 6 active levels for the new Members' activation carton (3 points) in the following way:

- level 1: 20%
- level 2: 10%
- level 3: 10%
- level 4: 5%
- level 5: 5%
- level 6: 10%

This is applied both in the month of the new Member's registration and in the following month.

In case the Quick Starter purchases additional cartons (2 points/carton) over the activation carton - except for VIP Pack -, Flavon pays the new Member 20% commission for the extra cartons. In this case, 40% is divided on the sponsor line, as Flavon has already paid 20% out of the 60% basic commission. It means that the sponsor line will receive the following commission for the Quick Starter's additional purchases over the activation carton:

- level 1: 13,33%
- level 2: 6,66%
- level 3: 6,66%
- level 4: 3,33%
- level 5: 3,33%
- level 6: 6,66%

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<sup>1</sup> The commission calculated on the basis of the calculation methods explained in the types of claim listed in this chapter also include the vouchers, so when determining the amount of commission actually incurred and payable, the amount of the commission based on the vouchers must be taken into account in each case, and the amount of the voucher must be reduced by this amount.

### 2.3 Passive income

Every active Member is entitled to 5% commission on 12 active levels for the activation cartons of those Members in their network, who passed their Quick start period.

When Members buy cartons (2 points/carton) in addition to their activation carton - except for VIP Pack -, Flavon pays them 20% commission for the extra cartons, so in this case 40% is divided on the sponsor line on 12 active levels.

### 3. Recruitment Incentive Program

- a. Members can purchase 2 cartons of products for the price of 1 carton if they reach 40 Quick start points on 3 active levels in a given month.
- b. Members can purchase 3 cartons of products for the price of 1 carton if they reach 80 Quick start points on 3 active levels in a given month.
- c. Members can purchase 4 cartons of products for the price of 1 carton if they reach 120 Quick start points on 3 active levels in a given month.

/These cartons are intended for personal use and for tastings, they cannot be sold for points./

## **IX./ Leadership ranks and leadership bonuses**

### 1. Leadership ranks

There are different leadership ranks at Flavon as described below. A specific leadership rank is achieved by those Members who reach the given amount of turnover – listed under the given qualification – in the reference month, as defined below.

Regarding qualifications, Flavon calculates points by taking into account the Member's turnover on 6 active levels (excluding the 3 points for the active L-positions) and adding points for his/her personal purchases up to 25 points, credited for the first 12 cartons. Leadership business positions are not considered active levels in this calculation. The method of calculating leadership bonuses is the same as the system of points used for calculating commission – activation cartons mean 3 points, any additional cartons mean 2 points when calculating the leadership bonuses of the leaders.

- A. Team Leaders: are active Members whose network's performance reaches 100 points on 6 active levels in a given month. They are eligible for the "Flavon Team Leader" title and pin; and also for participation with their partner (adult family member) in one of Flavon's upcoming two national events, free of charge after the first qualification for this rank.
- B. Team Leader Plus Leaders: are active Members whose network's performance reaches 250 points on 6 active levels in a given month. They are eligible for the "Flavon Team Leader Plus Leader" title and 1% leadership bonus for the turnover of their 12 active levels, excluding the part which is blocked by another Member who also qualified for leadership bonus in the given month.
- C. Elite Leaders: are active Members whose network's performance reaches 500 points on 6 active levels in a given month. They are eligible for the "Flavon Elite Leader" title, a golden pin and 2% leadership bonus for the turnover of their 12 active levels, excluding the part which is blocked by another Member who also qualified for leadership bonus in the given month.

- D. Elite Plus Leaders: are active Members whose network's performance reaches 750 points on 6 active levels in a given month. They are eligible for the "Flavon Elite Plus Leader" title and 2% leadership bonus for the turnover of their 12 active levels, excluding the part which is blocked by another Member who also qualified for leadership bonus in the given month.
- E. Diamond Elite Leaders: are active Members whose network's performance reaches 1 000 points on 6 active levels in a given month. They are eligible for the "Flavon Diamond Elite Leader" title, a golden pin with a diamond and 3% leadership bonus for the turnover of their 12 active levels, excluding the part which is blocked by another Member who also qualified for leadership bonus in the given month.
- F. Diamond Elite Plus Leaders: are active Members whose network's performance reaches 1 750 points on 6 active levels in a given month. They are eligible for the "Flavon Diamond Elite Plus Leader" title and 3% leadership bonus for the turnover of their 12 active levels, excluding the part which is blocked by another Member who also qualified for leadership bonus in the given month.

The condition of paying out the leadership bonuses is collecting 40 quick start points on 3 active levels in the given month or months of qualification.

G. Presidency ranks:

As for Presidency ranks, it is not necessary to collect quick start points on 3 levels in order to obtain the leadership bonus.

- a. Presidency Leaders: are active Members whose network's performance reaches 2 500 points on 6 active levels in a given month. They are eligible for the "Flavon Presidency Leader" title, a golden badge with two diamonds and 4% leadership bonus for the turnover of their 20 active levels, excluding the part which is blocked by another Member who also qualified for leadership bonus in the given month.
- b. Ruby Presidency Leaders: are active Members who fulfil the requirements of the Presidency Leadership and have at least 1 Presidency Leader on their 6 levels (considering the closest to them in each line) and their network on 6 levels without the Presidency Member's line has a turnover of at least 1 000 points in a given month. They are eligible for the "Flavon Ruby Presidency Leader" title, a gold ring with a ruby and 4% leadership bonus on the turnover of their 20 active levels, excluding the part which is blocked by another Member who also qualified for leadership bonus in the given month.
- c. Emerald Presidency Leaders: are active Members who fulfil the requirements of the Presidency Leadership and have at least 3 Presidency Leaders on their 6 levels on different lines (considering the closest to them in each line) and their network on 6 levels without the Presidency Members' lines has a turnover of at least 1 000 points in a given month. They are eligible for the "Flavon Emerald Presidency Leader" title, a gold ring with an emerald and 4% leadership bonus on the turnover of their 20 active levels, excluding the part which is blocked by another Member who also qualified for leadership bonus in the given month.
- d. Sapphire Presidency Leaders: are active Members who fulfil the requirements of the Presidency Leadership and have at least 5 Presidency Leaders on their 6 levels on different lines (considering the closest to them in each line) and their network on 6 levels without the Presidency Members' lines has a turnover of at least 1 000 points in a given month. They are eligible for the "Flavon Sapphire Presidency Leader" title, a gold ring with a sapphire and 4%

leadership bonus on the turnover of their 20 active levels, excluding the part which is blocked by another Member who also qualified for leadership bonus in the given month.

- e. Platinum Presidency Leaders: are active Members who fulfil the requirements of the Presidency Leadership and have at least 10 Presidency Leaders on their 6 levels in different lines (considering the closest to them in each line) and their network on 6 levels without the Presidency Members' lines has a turnover of at least 1 000 points in a given month. They are eligible for the "Flavon Platinum Presidency Leader" title, a platinum ring with a diamond and 4% leadership bonus on the turnover of their 20 active levels, excluding the part which is blocked by another Member who also qualified for leadership bonus in the given month.

Ruby, Emerald, Sapphire and Platinum Presidency Leaders are furthermore entitled for an extra 1% bonus for the turnover of their network in unlimited levels, excluding the part which is blocked by another Member who also qualified for leadership bonus in the given month.

- H. Double Presidency Leaders: are active Members whose network on 6 active levels reaches 5 000 points in a given month. They are eligible for the "Flavon Double Presidency Leader" title, the bonuses and incentives based on their Presidency rank, and a personalized vase with golden engraving, manufactured by Hollóházi Porcelain.
- I. Triple Presidency Leaders: are active Members whose network on 6 active levels reaches 7 500 points in a given month. They are eligible for the "Flavon Triple Presidency Leader" title, the bonuses and incentives based on their Presidency rank, and a personalized vase with golden engraving, manufactured by Hollóházi Porcelain.
- J. Quadruple Presidency Leaders: are active Members whose network on 6 active levels reaches 10 000 points in a given month. They are eligible for the "Flavon Quadruple Presidency Leader" title, the bonuses and incentives based on their Presidency rank, and a personalized vase with golden engraving, manufactured by Hollóházi Porcelain.
- K. Quintuple Presidency Leaders: are active Members whose network on 6 active levels reaches 12 500 points in a given month. They are eligible for the "Flavon Quintuple Presidency Leader" title, the bonuses and incentives based on their Presidency rank, and a personalized vase with golden engraving, manufactured by Hollóházi Porcelain.

## 2. Losing the leadership rank

Elite, Diamond Elite and Presidency leaders will lose their leadership ranks after the monthly closing if they:

- are inactive for 2 consecutive months during the year (between 1st January and 31st December) after their qualification, or
- are inactive for 4 months in total during the year (between 1st January and 31st December) after their qualification.

The day when Members lose their leadership ranks they also lose all the entitlements relating to the rank, including trainings, trips that the Member already qualified for and the achievement of the leadership rank was a condition of, but they have not participated yet, and the prizes associated with other qualifications are revoked as well.

## 3. Blocking leadership bonus

Leadership bonuses (4% + 1%) can be blocked. The degree of blocking equals the degree of the leadership bonus due to the blocking leader according to his/her rank (e.g. if blocked by a qualifying

Elite Leader, a Diamond Elite Leader is given 1% leadership bonus for the blocked line instead of 3%. For the unblocked line(s) she/he receives 3%).

#### 4. Withdrawing leadership bonus

Leaders are Flavon's partners with leadership ranks, who largely contribute to Flavon's image and good reputation with their behaviour in the network. If Members of leadership rank harm Flavon's good reputation by their statements or behaviour, or violate the company's Code of Ethics, Flavon is entitled to deprive the Leaders of their leadership rank for a period of 1 to 6 months depending on the severity of the behaviour. During this period the Leader is not entitled for the leadership bonus.

### **X./Online tools**

#### 1. Back Office

With the ID number and password, obtained at registration, Members can sign in to their Back Office which is available at the "Back Office" menu on [www.flavonmax.com](http://www.flavonmax.com). Members can get up-to-date information about their own and their network's performance, they can order products, manage their CPs, download necessary documents and get current information about Flavon through the Back Office. Members can see the purchases of their network on 12 levels, while Presidency Leaders or Leaders with higher ranks can see the purchases on 20 levels.

Presidency Leaders and Leaders with higher ranks can request Flavon in a written form that the details of their own network - including the Member's name, purchases, date of registration - should be unavailable to their Sponsors. If the request is positively received, Flavon informs the relevant Sponsors - without providing any explanation - about the restriction in the use of their Back Office.

Flavon may revoke the use of Back Office at any time without giving explanation, as it was created to enhance and assist the Members' work, but Flavon is not obliged to provide access to it.

Members are liable for treating all the information they learn through the Back Office as business secrets, such information shall not be revealed to a third party. The breach of this obligation will imply the immediate exclusion of the Member, as well as the immediate termination of the DBA agreement on the Member's position.

#### 2. Training Center

The Training Center is a business tool, enhancing networking activity. Members can log in to the interface with their ID and password, which they were given upon registration to Flavon.

Using the Training Center Members can create a relationship inventory, use the calendar and customer care functions and further special modules, boosting their networking activity.

During the operation of the Training Center Flavon acts exclusively as a hosting provider, and it is the Member who is solely responsible for the legality of the data, information and activities performed in the system. Flavon does not perform any activities with the data uploaded to the system.

Flavon may revoke the use of the Training Center at any time without giving explanation, as it was created to help and provide assistance to Members, but Flavon is not obliged to provide access to it.

#### 3. Own distributor website

Members can create a general presentational webpage (distributor website) through the Training Center. The content of the distributor website can be edited in the Back Office. Webpages of this sort

can be accessed at the [www.flavonmax.com](http://www.flavonmax.com) domain (e.g. [www.flavongroup.com/johnsmith](http://www.flavongroup.com/johnsmith)). Flavon shall assume no responsibility for the content of the distributor websites. Provided a Member publishes materials on the website that are contrary to law or to Flavon's Organizational and Operational Regulations, Flavon is entitled to modify the website. In the event of serious or repeated infringements Flavon may delete the website from the system and terminate the Member's membership status.

The distributor website is deleted when the Member's Membership agreement is terminated. In case of position transfers or exchanges, the new owner of the position is responsible for modifying the website's name and details; otherwise Flavon is entitled to delete the website.

Members shall choose a name for the website which will not mislead a third party in any way, directly or indirectly, or to mistakenly identify the distributor website as the official Flavon website. Using offensive and misleading names and phrases is explicitly forbidden.

#### 4. Online promotion of Flavon products

Members can promote Flavon products only and exclusively on such a website which clearly indicates that it is not Flavon's official website. The host of the website is solely responsible for the featured content. The host of the website can only be a Flavon Member or a contracted DBA.

If the host provides the opportunity for purchasing Flavon products on the website, it can be managed only by directing the user to Flavon's official website, thus the purchasing process of Flavon products takes place, in all cases, at the webshop operated by Flavon. Besides Flavon products only such goods can be promoted or sold on the website, which are not marketed by another multi-level or direct marketing company; also they shall not be competing products.

## **XI./ Ordering products**

The minimum order is one carton of product.

### 1. Ordering methods

Orders can be placed by telephone, e-mail or in the Back Office. The price of the products together with the delivery cost should be paid or transferred into the bank account of Flavon. Paying online is possible when placing an order online. The ordered products are shipped via courier service.

General Terms and Conditions contain the details of ordering products, the document is available here: <https://www.flavonmax.com/doc/aszf/no>

More information about shipping costs and times is available here: <https://www.flavonmax.com/doc/deliverycost/no>

The ordered products are shipped only after payment has been credited to Flavon's bank account.

If the payment arrives on a given working day before 4pm, the parcels are given to the courier service on the following day. If the delivery address is not the same as the one registered at Flavon, please inform Flavon about the change in each case when you place the order. If an order is placed at the end of the month, it is considered for that particular month only if its payment is credited to Flavon's bank account before Flavon closes the month - as indicated on the website at "Closing dates". Provided a report, bank transfer, registration, Membership Agreement, etc. are received by Flavon after the above mentioned closing time (punctually to the hour), it will be accounted and taken into consideration for the following month.

## 2. International purchases

Members and DBAs are entitled to order products from Flavon Express Kft. If they travel to a country outside the European Union or to Poland, Hungary or the Czech Republic, they can order products from the local Flavon company, if they inform Flavon about it in advance and it has been allowed. This kind of travelling may not be regular, only ad-hoc permissions can be granted.

## 3. Guarantee, warranty

Flavon guarantees and warrants that the distributed products correspond with the official product specification. If there is a complaint about the quality of the product during the warranty period and it proves to be rightful, Flavon replaces the product free of charge. If the quality complaint is submitted after the expiry date of the product, the product cannot be replaced. The General Terms and Conditions include detailed information about this:

<https://www.flavonmax.com/doc/aszf/no>

## **XII./ Other provisions**

### 1. Learning the Organizational and Operational Regulations and its modification

Every Member is obliged to study Flavon's Organizational and Operational Regulations, available for everybody on Flavon's official website ([www.flavonmax.com](http://www.flavonmax.com)).

Flavon reserves the right of amending the Organizational and Operational Regulations. The modification comes into effect on the day it is published on the website or from the date indicated in the document.

Flavon sends Members information letters to the e-mail address provided at registration.

### 2. Consent

Members can give their consent to Flavon to

- make the Member's phone number and email address available to his/her direct sponsor in the sponsor's Back Office, and also to the Member's 3 up-line sponsors without permission;
- release the Member's achieved leadership ranks, qualifications, participation in the recruitment incentive program and other achievements during her/his Membership on internet – on Flavon's own website or on other website, on social media and other printed publication – and also in Flavon's marketing materials;
- publish photos, videos of Members taken at events organized by Flavon on the internet – on Flavon's official website or on other websites, on social media and other printed publications – and also in Flavon's marketing materials;
- manage personal data provided for Flavon, and store it according to Flavon's Data protection policy and transmit to a data controller or data processor in a third country.

Flavon's Data protection policy is available here:

<https://www.flavonmax.com/doc/dataprotection/no>

### 3. Complaints, disputes

Flavon always strives for a peaceful management of any problems or disputes with its Members. Members can report their objection of Flavon's activity by sending a mail to the company's official

address or e-mail address. Each complaint will be investigated by Flavon and Members will get a written notice of the company's standpoint within 30 days.

If the complaint cannot be resolved amicably or the Member does not wish to do so, the Member may refer any quality or other complaints regarding the purchase of products to an arbitration body.

More information on complaints handling and a list of the Conciliation Body can be found in the General Terms and Conditions:

<https://www.flavonmax.com/doc/aszf/no>

The parties submit to the exclusive jurisdiction of the District Court of Debrecen or the General Court of Debrecen, depending on the value of the dispute, to settle disputes between the Company and the contracting parties.

#### 4. Language

- i. This Agreement is drafted in the English language.
- ii. Any notice given under or in connection with this Agreement shall be in the English language. All other documents provided under or in connection with this Agreement shall be in the English language, or accompanied by a certified English translation.
- iii. The English language version of this Agreement and any notice or other document provided under or in connection with this Agreement, shall prevail if there is a conflict, except where the document is a constitutional, statutory or other official document.

The present Organizational and Operational Regulations are Annex 1 to the Membership Agreement and the DBA Agreement, and the provisions of the Civil Code shall prevail in matters not regulated herein.

Debrecen, 29 December 2021

## **Annex 1: Autoship terms and conditions**

### **1. / Definition of the Autoship system:**

Autoship is – an online recurring bank card payment system – a function, provided by Barion Payment Zrt., to accept payments with bank cards, meaning that with the bank card data, provided by the Customer (Card Holder) during registration, additional payments can be initiated in the future without providing the bank card data again.

The recurring payment is based on the declaration of the Customer (Member), which can be done at the place of the purchase (at the website of the webshop or at Barion Payment Zrt.'s website for payments). The Member declares that he/she is willing to use a recurring bank card payment, which enables him/her to pay Flavon Express Kft. for all of his/her product purchases by providing his/her bank card data only once (one-time approval). Handling the Members' bank card data at Barion Payment Zrt. is happening in accordance with the related rules and regulations for bank card companies.

One-time approval means that in case of the first transaction (registration), the Member authorizes Flavon Express Kft. to initiate recurring payment procedures for the price of the products which will be due in the future. By this approval the Member accepts that Flavon Express Kft. will charge the Customer's bank card and the connected bank account with a previously defined amount and frequency.

### **2. / The conditions of using the system:**

Every Member who joined Flavon can register in the Autoship system, as long as:

- he/she orders the product directly from Flavon Express Kft.;
- the price of the purchase is paid by bank card.

### **3. / Rules for the autoship system:**

3.1. The Customers' bank card data will not be stored by Flavon Express Kft., the system is operated by using the service of Barion Payment Zrt.. in accordance with the relevant rules and regulations for credit card companies.

3.2. The registration in the Autoship system is open-ended which means that the Member undertakes liability to pay for the ordered cartons due for the actual month, from the date of registration for an indefinite period of time.

3.3./ Due date: The 5th-10th-20th day (depending on the Member's choice) of each month. If it is not a working day, the due date will be the next working day.

3.4./ By using the "SKIP 1 MONTH" button, every Member has the option to withdraw from the purchase of the product in the given month - except for the month of registration and the following 2 months, therefore the first 3 months. Withdrawal can be done 2 days before the due date, at the latest. Any notifications arriving after this deadline will be considered by Flavon Express Kft. as a request regarding the following month, which meets this condition.

3.5./ By using the „STOP" button the Member has the opportunity to stop the use of the Autoship system from the next month following the due date – except the first 3 months – it can be done 2 days before the due date at the latest. In case of notifications arriving after this deadline Flavon Express Kft.

will delete the Member from the Autoship system after the following due date, which meets this condition.

3.6./ By using the "STOP" button, the Member deletes himself/herself from the Autoship system; in case the Member wishes to use the system again, he/she needs to place a new Autoship order by which he/she she enters into a new Autoship contract.

3.7./ Flavon Express Kft. starts the delivery of the ordered products automatically, according to the previously given data, on the same due date of every month, without notice.

3.8./ If the Member would like to change the composition of his/her order, he/she can register it in the system 5 days before the due date of the actual month, at the latest. Any notifications arriving after this deadline will be considered by Flavon Express Kft. as a request regarding the next month, which meets this condition.

3.9./ The Autoship system automatically validates voucher available on the due date, in the currency of the order for the price of the activation carton of the given month, with the maximum amount defined in the prevailing Organizational and Operational Regulations.

3.11./ In case of a successful payment, the Member will be notified in the same way as he/she would be in case of an average credit card payment.

3.12./ By registering in the Autoship system the Member agrees to learn the regulations of the Online Terms and Conditions and accepts them legally binding for him/her.

#### **4./ Obligation to fulfil commitments:**

Regarding the fact, that in case of a „One-time approval“ recurring payment, the Member does not have to authorize every single transaction one by one, Barion Payment Zrt. does not take any responsibility for unauthorized or false transactions initiated by Flavon Express Kft. In case of any unauthorized or false transactions, Flavon Express Kft. has the obligation to fulfil the Member's commitments.