

# FLAVON

## ORGANIZATIONAL AND OPERATIONAL REGULATIONS OF FLAVON®

### IMPORTANT INFORMATION:

|                 |   |
|-----------------|---|
| Name:           | Flavon International Limited                                  |
| Headquarters:   | 1463 Sofia, 66 Vitosha blvd., 4 <sup>th</sup> floor, Bulgaria |
| UIN:            | 206328486   |
| Director:       | Ms. Csilla Hernyák  |
| E-mail address: | office@flavoninternational.com                                |

Flavon International Limited and its subsidiary and holding companies are referred to in these Operational Regulations as “**Flavon**”.

The regulation is integrated part of Flavon® Membership Agreement and DSA registration.

### **1. Introduction**

Thank you for taking time to read our Organizational and Operational Regulations. The main goal of our regulations is to inform You about all important information and rules used and followed by Flavon®. Flavon® reserves the right to modify this regulation anytime, about which modifications we will inform You via email. The policy ever in force is available in your back office. If you have any questions regarding that, please contact our colleagues at office@flavoninternational.com.

Flavon International Ltd. as part of Flavon® company group distributes its products in Flavon® network to independent Members in the European Union and Norway with the purpose of:

- a) helping members of Flavon® improve their dietary habits with the high-quality dietary supplements distributed by the company and in this way lengthen their high-quality life. Members provide products primarily for their families, friends, and can recruit new Members.
- b) helping those Members who actively take part in building the network receive the highest financial recognition possible and in this way successful Members can reach financial independence.

Neither the employees of Flavon® company group, nor the Members can promise any concrete income to anyone. It depends on personal aptness, efficiency and invested work of each Member and Partner.

**We wish You health and success for your work!**

## 2. Definitions

- 2.1 Membership Agreement** means the membership agreement available on Flavon's website, entered into between Flavon® and a Member (and includes an agreement created by acceptance of the Online Terms).
- 2.2 Activation carton:** that natural person who purchases one carton product (Registration Carton) and at the same time she/he registers to Flavon at [www.flavonmax.com](http://www.flavonmax.com) or sends a signed Membership Agreement of Flavon® via post. A welcome letter and an identification number are sent to the buyer by Flavon® company group after registration.
- 2.3 Consumer:** a natural person who joined our system solely to purchase Flavon® products for personal use and/or for his/her family, so in this way she/he has only purchase discount generated at Flavon in the current year
- 2.4 Preferred Customer:** a customer who generates receivable commission in addition to purchase discount in the current year, but she/he does not do business activities and the amount of receivable commission in the current year does not reach the limit of obligatory VAT registration in his/her country.
- 2.5 Network builder:** a Customer or Preferred Customer who recruited at least one Customer to Flavon.
- 2.6 VIP Customer/VIP pack:** a customer who purchases 8 cartons of products at the same time buys Flavon® products at price of VIP pack. The price of VIP pack is listed in the prevailing price list. Preferred Customers who purchase VIP pack is called VIP Customers, who are entitled for the following things for 12 months after achieving this status:
- receive and use a VIP badge;
  - a dedicated place in the first line at the central events of Flavon® company group;
  - use his/her own website under the name she/he chooses, according to the conditions set out in paragraph 15.2.;
  - see his/her own turnover and the turnover of his/her complete network
  - request for further special reports in the back office;

The VIP Customer can be entitled to a leadership business position as well.

There is no reimbursement on personal turnover for VIP pack.

- 2.7 Leadership business position:** Exclusively VIP Customers may achieve a Leadership business position, which is a second position connected to the position of the VIP Customer, its ID number starts with "L". Together the VIP Customer's position and the Leadership business position are considered as **Unified Customer**.

Leadership business position has the same status as the VIP Customer's position which means that:

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

Purchasing a VIP pack entitles members to have a Leadership business position for 12 months after the purchase. After 12 months the Leadership business position will be deleted automatically, the members under this position will be sponsored by the VIP member's M-position.

- 2.8 Partner-position:** at registration the Customers is entitled to indicate a natural person with whom he/she shares the position. The indicated person is the Partner of the Customer, whose name will be displayed during qualifications, events together with the name of the Customer. The conditions of commission payment must be fulfilled by the Customer; he/she will receive the commission according to the rules set in chapter 3 of the current Organizational and Operational Regulations. The Customer is responsible for the lawful activity of the Partner. The Partner is not an independent contracting partner of Flavon® company group therefore an independent legal relationship is not formed.
- 2.9 Sponsor:** a Customer who helps others join Flavon® network properly through his/her network. Sponsor is the individual who directly recruited the Customer. A Sponsor's obligations include the following: to be as active as she/he is expected to, to recruit new members in order to enlarge his/her Network as much as possible, to assist and support his/her present Network in proportion to his/her current commission, cooperation with Flavon® company group and his/her Network.
- 2.10 Sponsor line:** chain of members; a particular Customer, her/his active sponsor, the active sponsor of his/her sponsor, etc who cooperate in network building. All sponsor lines start from Flavon® company group. The sponsor line is not broken even if any of its members is inactive, quits or is excluded from the Network. In this case the sponsor line continues to function by leaving out the inactive Customer or Preferred Customer.
- 2.11 Network:** a consumer network started/sponsored by the Network Builder.
- 2.12 Activation Carton:** the first carton purchased in a given month, equalling 3 points. This is the Activation Carton of the Customer, the purchase of which entitles him/her, based on his/her monthly turnover, to buy products at preferential price and to earn commission. The mere purchase of the Activation Carton does not mean active participation at Flavon.
- 2.13 Active Network Builder:** Preferred Customer or DBA who fulfils his/her sponsorship obligations and will do everything reasonable to successfully market the products and enlarge his/her Network. This implies that she/he will participate, at periodic intervals, at events organized by Flavon® company group, will hold presentations if he/she is asked to, will recruit new Customers to Flavon and will keep in touch with a member of Flavon® company group in person, via telephone or e-mail. The expected degree of activity is proportional to the current commission.
- 2.14 Do Business As (DBA):** a business organization, sole proprietor or any other VAT registered form according to legislation of the given country – not including non profit organizations – which comply with the following rules:
- 2.14.3** is validly registered for VAT in the country of its headquarters and as result has tax number;
  - 2.14.4** is registered at Flavon by Customer or Preferred Customer as form of business, through which she/he runs business;
  - 2.14.5** can be checked by company registration, court registry or VAT register;
  - 2.14.6** Customer or Preferred Customer has representation or membership right in it;
  - 2.14.7** has proper scope of activity entitling for agency activity;
  - 2.14.8** does not do commercial agency activity with similar objectives at any other company;
  - 2.14.9** has EU VAT number if its headquarters is in the EU but not in Bulgaria;
  - 2.14.10** fully complies with its own country's regulation.
- 2.15 Performance in a given month:** total purchases of an active Customer for whose related orders and remittance are received by us by the closing business day of the month – the closing dates are available on website of Flavon ® company group at "Monthly closing dates". Provided a report, sum of money, membership agreement, etc. arrives at Flavon International Ltd. after the above mentioned monthly closing time (punctually to the hour), it will be taken into consideration and accounted by Flavon International Ltd. for the following opened month.
- 2.16 Points:**

- 2.16.3** 3 points: for the registration carton and the Activation Cartons.
- 2.16.4** 2 points: for every carton purchased in addition to the registration or the Activation Carton in a given month.
- 2.17 Qualification points/Quick Start points:** The calculation method of the necessary amount of qualification points defined for Leadership positions and other types of qualification: the points gained after the purchase of a Quick-Starter Customer or Preferred Customer on the first 3 active levels of the Customer or Preferred Customer in question.
- 2.18 Carton:** Flavon International Ltd. sells Flavon® products in cartons which contain 3 or 4 jars or 60 sachets depending on the type of the Flavon® product.
- 2.19 Commission:** an allowance of the active Preferred Customer or DBA based on his/her performance in the given month received after the given month-closing in the form of basic commission or leadership bonus. Leadership bonus can be differential bonus or extra differential bonus.
- 2.20 Base of Commission payment (Commission base):** The base of commission payment is not equal with the consumer price of the Flavon® products. The updated price list of Flavon International Ltd. contains the amount of commission base. For the sale of 1 carton product we account entitlement for commission calculated for 1 commission base.
- 2.21 Monthly closing dates:** The month-closing dates listed at "Monthly closing dates" menu on the website of Flavon® company group.
- 2.22 Price for Members:** the current price of one carton product for Members can be found in the updated price list of Flavon International Ltd. which can be viewed on the official website of the company group.
- 2.23 Voucher price:** Customer, Preferred Customer and DBA may claim 1<sup>st</sup>, 2<sup>nd</sup> or 3<sup>rd</sup> voucher based on his/her decision, if the turnover of his/her Network entitles him/her for it. The preferential prices are listed in the updated price list of Flavon International Ltd.
- 2.24 Personal turnover:** every purchase of Flavon cartons registered for the Customer's name in a month. Types of cartons: registration carton, Activation Carton, carton above the Activation Carton.
- 2.25 Self-billing:** Based on an individual agreement Flavon itself prepares the DBA's invoice of commission on behalf of the DBA. Flavon only does self-billing if the given DBA contract includes it or there is an individual agreement for it with the DBA.
- 2.26 CP owner:** CP, i.e. Coordination Point, owner can be any Customer, who
- 2.25.1** in two successive months is entitled for commission which is at least the price of one carton of products multiplied by 12, or
  - 2.25.2** is given a guaranty of payment by an Elite Customer in his/her upper sponsor line, whose Network has reached at least Elite level turnover in the previous month.
- CP owner and Flavon International Ltd. make a separate agreement with each other with the purpose that the CP owner supplies products directly to current or future Customers. The CP owner can order/collect 12 cartons of product at once that she/he reports and pays for after they are sold. CP Owner makes reports in his/her Back Office. The CP owner transfers the remittance of sold products to the bank account of Flavon International Ltd. on the day of selling. The remittance of sold products paid to the CP owner is not the property of the CP owner, thus she/he cannot use it as his/her own. If the CP owner does not transfer the received money without delay, she/he will commit a serious breach of contract, which will entail the termination of the CP Agreement and any other contract between the CP owner and Flavon International Ltd.

with immediate effect. Flavon International Ltd. will make and send invoices to customers who are reported by the CP owner.

**2.25.3** A new Customer can also become CP owner without the fulfilment of above conditions provided she/he pays the consideration money of 12 cartons of product to Flavon International Ltd. as caution when ordering.

**2.26 Back office:** with the ID number and password given at registration Customers can sign into his/her back office which is available at the "Back Office" menu on [www.flavonmax.com](http://www.flavonmax.com) website. Customers can get up-to-date information about his/her own and his/her Network's work, order products, manage his/her CPs, download the necessary documents and get timely information of Flavon® company group through the back office. Customers can see the purchases of their Network on 6 levels, VIP Customers can see the purchases on 12 levels, and Presidency Customers or Customers with higher ranking can see the purchases on 20 levels.

Presidency Customers and Customers with higher rankings can request Flavon International Ltd. in a written form that the details of their own Network - including the Customer's name, purchases, date of joining – should be unavailable for their upper sponsors. In case of a positive decision about that Flavon® company group informs the upper leaders – without any explanation – about the restriction of use of their back office.

Flavon International Ltd. can revoke the use of back office at any time without any explanation, as back office was created to help and provide assistance to Customers but Flavon International Ltd. is not obliged to provide access to it.

Customers are liable for taking all the information they get to know through back office as business secrets, these information may not be revealed to any third party. The breach of this obligation will imply the immediate exclusion of the Customer, his/her close relatives and anyone who lives in the same household and the immediate termination of their contracts.

## 3 Rights and liabilities

### 3.1 Liabilities of our Partners

- full compliance with contents of Membership Agreement, DBA Form, this Organizational and Operational Regulation and related regulations;
- Immediate notification in case of any change in their personal or private data (while respecting data protection rules) to Flavon International Ltd.
- in case of
  - Preferred Customer or
  - DBA or its related undertakings, or any member or representative of the Agent wishes to directly or indirectly join another system with similar operation i.e. aims at signing a contract of a similar nature with another company, she/he will have to obtain the prior written consent of Flavon International Ltd. In case of lack of written consent they will commit a serious breach of contract, which will result in immediate termination of signed contract and membership status.
- making any rational, expectable efforts for the fulfilment of his/her task.

### 3.2 Compliance with Laws

- Each party shall at its own expense comply with all laws and regulations relating to its activities under this Agreement, as they may change from time to time, and with any conditions set by applicable licences, registrations, permits and approvals;

- Each DBA shall be responsible for obtaining all the import licences or permits necessary for the sale of Flavon® products in the country that s/he operates within;
- Each Preferred Customer and DBA is independent contracting party regarding also taxation, they are not considered employee, franchise partner, related undertaking or agent according to legislations about public internal finance, social security, income, labour and other local regulation. In this way Preferred Customers and DBA are liable for declaring and paying tax and contribution on incomes received from Flavon. Flavon® cannot be held liable for any tax or social contribution that was not declared and/or paid by Preferred Customers or DBA. If authorities subsequently hold Flavon accountable for any debt of tax and/or social contribution that was not paid, Flavon is entitled to claim the paid amount from Preferred Customers or DBA primarily by deducing it from their next commission (compensation). Flavon acts in the same way in case of any authority imposes penalty or claims other contribution as a result of the behaviour of Preferred Members or DBA;
- Preferred Members are responsible for assessing the classification of his/her activity, if it is considered as business activity or not, only Preferred Customers can be held liable for any consequences arising from it as Flavon does not have full insight on the actual activity of Preferred Customers;
- Providing correct tax number is the responsibility of DBA;
- Flavon has the right to invalidate any membership which contains incorrect social security number or tax number, or contains the number of somebody else;
- Flavon is entitled but not obligated to check the received, given information, invoices – except for EU VAT numbers;

### **3.3 Each Member shall:**

- comply with all applicable laws, statutes, regulations [, and codes] relating to anti-bribery and anti-corruption
- comply with the Code of Ethics and any anti-bribery and anti-corruption policies that Flavon implement from time to time.

**3.4 Intellectual Property:** Each Member acknowledges that Flavon®'s rights to the Intellectual Property used on or in relation to Flavon® products and Flavon®'s business and the goodwill connected with that are Flavon®'s property.

**3.5 Confidentiality:** The Member undertakes that it shall not at any time during this Agreement, and for a period of five years after termination of this Agreement, disclose to any person any confidential information concerning the business, affairs, customers, clients or principals of Flavon® or of any member of the group of companies to which Flavon® belongs.

**3.6 Force Majeure:** Neither party shall commit a breach of this Agreement or is liable for delay in performing, or failure to perform, any of its obligations under this Agreement if such delay or failure result from events, circumstances or causes beyond its reasonable control. In such circumstances the time for performance shall be extended by a period equivalent to the period during which performance of the obligation has been delayed or failed to be performed OR the affected party shall be entitled to a reasonable extension of the time for performing such obligations. If the period of delay or non-performance continues for 2 months, the party not affected may terminate this Agreement by giving 30 days' written notice to the affected party.

### **3.7 Entire Agreement:**

- This Agreement constitutes the entire agreement between the parties and supersedes and extinguishes all previous drafts, agreements, promises, assurances, warranties, representations and understandings between them, whether written or oral, relating to the subject matter.
- Each party acknowledges that, in entering into this Agreement, it does not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this Agreement.
- Each party agrees that it shall have no claim for innocent or negligent misrepresentation or negligent misstatement based on any statement in this Agreement.

## 4 Members

Every Flavon® Member is an independent contracting party who is obliged to run her/his business according to this Agreement and the laws of the particular country. Only adult natural person can become Customer and Preferred Customer. Flavon records only Customers and Preferred Customers on the positions. If a Customer or Preferred Customer registers a DBA, the membership of the Customer or Preferred Customer is kept on the position. One DBA can be registered by more Customers or Preferred Customers.

- 4.1 The principle of 'one member – one position':** Each Member can have only one position in the Flavon® system. The positions of spouses, life partners, or relatives living in the same household are handled as one position (**Unified Membership**) without exception and 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 must be applied as if it would be one position. In case of the termination of any Membership of these positions for any reason the Membership will be terminated automatically regarding the side position, too and the DBA registered by the Member will be terminated as well. If it comes to the notice of Flavon International Ltd that the spouse, life partner or relative living in the same household of any of the Members registered to a different sponsor line then the mentioned Member will be transferred below the position of his/her spouse, life partner, or relative living in the same household.
- 4.2 Position transfer:** The Member status in the Flavon® Network is bound to a person. It can only be transferred with a written consent of Flavon International Ltd., which the Member must apply for in writing. The condition of approval in respect of a position transfer is that the new Owner commits to purchase his/her Activation Carton on his/her position in the first three months after the position transfer (he/she registers for autoship). If the new Owner fails to comply with this obligation then he/she commits a serious breach of contract. Flavon International Ltd. will decide in 30 days after receiving of the request. Unified Memberships can be transferred together only. When the Membership status is transferred, the position of the former Member is terminated, she/he loses their network and cannot join any other Member for 1 calendar year. However, as a new Member she/he can join her/his former sponsor any time. Only the original owner is eligible for collecting the commission accumulated on the actual position before the transference. The new owner of the position controls the commission accumulated after the transfer. Commissions cannot be collected retrospectively. The conclusion of false, fictitious transference containing malicious intentions is strictly forbidden. If a Member or her/his company concludes such an agreement or contributes to its conclusion, it shall result in her/his immediate exclusion.
- 4.3 Position exchange:** Rules related to transference are decisive for **exchange** of Membership statuses as well. The only exception is that exchange will not result in the termination of

Membership positions because they are simply exchanged. Flavon International Ltd. may reject any Membership status exchange request. If there are grounds for assuming that the underlying intention is sponsor shift, structural modification or regrouping, the Membership results in immediate termination.

- 4.4 Sponsor change:** a Member can change her/his sponsor only with the permission of Flavon International Ltd. The Member should submit a written request on the sponsor shift, for which she/he attaches the signatures of his/her up-line sponsors on 12 levels. If the sponsor line is not that long, the signatures must be collected up to Flavon® company group inclusively. Unified Memberships can request sponsor change together only. The Member requesting for change will be deleted from his/her earlier position and will be allowed to join his/her new sponsor immediately. However, she/he cannot take any of her/his recruited Members, or her/his Network with him/her, they will be taken over by the applicant's former direct sponsor. Flavon International Ltd. may reject any sponsor shift request when there are grounds for assuming that the underlying intention is structural modification or regrouping.
- 4.5 Losing one's Network:** If the Customer or Preferred Customer does not buy his/her Activation Carton of the reference month in 6 consecutive months, she/he will lose his/her whole Network (in unlimited depth) after the closing of the 6th inactive month. In this case the Network goes up by one level in the sponsor line, to the next actually active Preferred Customer. After losing his/her Network, the Member does not have the chance to get it back, but she/he can build a new Network.

## 5 DBA

- 5.1.** If the Customer or Preferred Customer wishes to build business at Flavon as a business activity, she/he can register his/her company as DBA in the system. In case of registering DBA, DBA will be entitled hereinafter for commission and product voucher.
- 5.2.** Flavon automatically demands the registration of DBA from those Customer or Preferred Customer whose commission generated annually reaches the limit of VAT registration in the given country.
- 5.3.** In case of DBA registration, the request for registration, must be filled by the official representative of DBA and sent to Flavon. Besides the request she/he also needs to send a proof of VAT registration and registration, existence of enterprise via post or email.

## 6 Remuneration for turnover

- 6.1 Product voucher, voucher price:** Based on the turnover of their network our Partners are primarily entitled for product vouchers, which can be used for purchasing Flavon® products at a preferential price shown on the voucher. Voucher prices are listed in the updated price list of Flavon International Ltd., its amount is defined according to the turnover of the reference month. On each joined position one product voucher is issued by default every month if the position is entitled for voucher. Customers and Preferred Customers have the chance to indicate in his/her back office if she/he would like to get more than 1 voucher within the reference month. For the turnover of one month there can be maximum 3 vouchers issued, their amounts depend on the turnover of the given position. Flavon® uses the entitlement for the highest preference when issuing the first and maybe second voucher, so in this way if the Customer or Preferred Customer would like to have more than one voucher but based on his/her turnover is entitled for only one voucher, she/he will get one

voucher. Product vouchers are valid for 6 months after their issuance. Only one voucher can be redeemed per purchase of one carton product.

## **6.2 Commission**

**6.2.1 Statement of commission:** Flavon International Ltd. pays commission to Customers or Preferred Customers for any cartons purchased for personal use in addition to the activation carton and purchases in his/her Network if she/he is entitled for commission above product vouchers.

**6.2.2 Certificate of Fulfilment:** Flavon International Ltd. makes commission accounts based on the sales of the given calendar month for each Preferred Customer or DBA eligible for commission. Certificate of Fulfilment records exclusively commission generated over the vouchers entitling its holders to purchase products for voucher price. Flavon International Ltd. sends the net commission accounts electronically to the e-mail address given by the Preferred Customer or DBA on the 15th day in the month following the month of purchase. Provided the Preferred Customer or DBA does not agree with the content of the Certificate of Fulfilment or it does not correspond to her/his calculations, she/he has 15 days following the date of receipt to inform Flavon International Ltd about the discrepancy/discrepancies encountered. We will not take into consideration any complaint received thereafter. The payment of commission follows this according to the regulations set in this document.

**6.2.3 Types of Commission:** 65% of the commission base of Flavon products can be paid back to Preferred Customer or DBA as commission, 60% as basic commission and 4%+1% as leadership bonus reduced by the amount deducted for entitlement for voucher price listed in the updated price list of Flavon International Ltd. Basic commission cannot be blocked, while leadership bonus is differential bonus, therefore it can be blocked.

### **6.2.4 Conditions of generating commissions for the given months:**

- Preferred Customer or DBA purchases the Activation Carton in the reference month till the last working day of the month;
- Active (see above for the definition of active Network Builder) and legitimate participation at Flavon.
- fulfilment of other conditions indicated at certain types of commission.

Flavon International Ltd considers activation cartons purchased after the deadline automatically as activation for the following month.

### **6.2.5 Entitled for commission payment:**

**6.2.5.1** Preferred Customers who do not live in Bulgaria, correctly fills out a Commission Payment Form (in which they agree to the payment of taxes and contributions and fulfilment of other obligations according to the regulations of their own country) and sends it back to Flavon International Ltd.;

6.2.5.2 DBA which fills out a DO BUSINESS AS form of Flavon International Ltd.

### **6.2.6 Amount of commission**

6.2.6.1 if the Preferred Customer does not live in Bulgaria, the amount of commission indicated in the Certificate of Fulfilment will be transferred;

6.2.6.2 If the Preferred Customer lives in Bulgaria, Flavon International Ltd. pays the governing authorities all contributions and taxes on the commission indicated in

the commission account and transfers the amount lowered by these to the Preferred Customer;

6.2.6.3 for DBAs commission for the given month will be transferred as indicated in the Certificate of Fulfilment against an invoice.

**6.2.7 Deductible items from commission:** Directly from the commission Flavon International Ltd. deducts all taxes, public liabilities collected as taxes which must be paid by Flavon International Ltd as payer of commission according to the given country's regulation and the country's regulations allow their deduction.

**6.2.8 Network-management fee:** Flavon International Ltd. may charge network-management fee for every DBA if the management of the given network results in extra costs, expenditures for Flavon International Ltd 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 in every month is gross 1 euro for each active Member in the network of the Member. Flavon invoices the network-management fee to the DBA and compensates it with its payable commission.

### **6.3 Recruitment Incentive Program:**

**6.3.1** Customer, Preferred Customer or DBA, in whose 3 active levels the points given for the Quick Starters (qualification/quick starter points) reach **40** in a given month, can purchase 2 cartons of products for the price of 1 carton.

**6.3.2** Customer, Preferred Customer or DBA, in whose 3 active levels the points given for the Quick Starters (qualification/quick starter points) reach **80** in a given month, can purchase 3 cartons of products for the price of 1 carton.

**6.3.3** Customer, Preferred Customer or DBA, in whose 3 active levels the points given for the Quick Starters (qualification/quick starter points) reach **120** in a given month, can purchase 4 cartons of products for the price of 1 carton.

/These cartons are meant for personal use, tastings, they cannot be used for sales for points./

## **7 Validity, scope of legal relationship**

### **7.1 Termination/Cancellation of position and DBA membership:**

**7.1.1** Any party can terminate this agreement by giving 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, 3 months in the third year and thereafter;

**7.1.2** if the former Member wishes to be member of Flavon® again, she/he can join anybody after 1 year of his/her termination. Within 1 year she/he can only register under his/her previous sponsor as new Member, but she/he cannot get back his/her former network;

- in case of breach of contract (hereinafter referred to as **Exclusion**) a party can terminate his/her membership, contract with immediate effect by giving written notice to the other party if the other party seriously breaches its obligations set out in the agreement, Organizational and Operational Regulations or legislation in force. For Preferred Customers and DBAs the followings are especially considered a breach of contract:
- illegal advertisement of the products on the Internet or in pharmacies;

- discounting;
- the evasion of the Network structure, or the attempt for such evasion by fake contracts;
- to make healing statements regarding the products;
- to make statements violating the reputation of Flavon® company group;
- if the Preferred Customer or DBA or its related undertaking, or any member or representative of the company, or any close relative joins a company working with direct sales system directly or through an enterprise, without prior written consent;
- it is a serious breach of the content of Organizational and Operational Regulations, if the Preferred Customer or DBA does not fulfil its tasks, does not communicate with Flavon International Ltd, does not cooperate.

**7.1.3** in case of termination of DBA membership, that/those Customer, Preferred Customer position(s) also terminate whose owners have representative or membership right in the DBA.

**7.1.4** Simultaneously with the Exclusion of a Member Flavon International Ltd. also terminates with immediate effect the DBA Membership that was registered by the excluded Member, and can also simultaneously terminate the Membership Agreement of those Members who also registered the DBA in question to the system, that is the Membership Agreements of representatives and members of DBA.

**7.1.5** If Flavon International Ltd. excludes a Member or his/her relative due to breach of contract, excluded Members and their relatives cannot join within 1 year of exclusion again as Members, their Membership status ceases.

**7.2 Automatic termination of Positions or DBA Memberships:** A Customer or Preferred Customer who is inactive for 12 consecutive months, i.e. does not have a minimum purchase of 1 carton (Activation Carton) will lose his/her Membership status at Flavon and Flavon International Ltd deletes him/her from its system. The DBA registered by the deleted member will also be ceased automatically. DBA is also ceased if its insolvency has been proved or its VAT registration has ceased.

The Network of the ceased position gets one level higher – regarding the termination – on the sponsorline.

**7.3** On termination of this Agreement in relation to any Member:

**7.3.1** the Member shall cease to promote, market, advertise or sell the Products;

**7.3.2** the Member shall immediately cease to describe itself as a Partner of Flavon® and cease to use all trade marks, trade names and brand names of Flavon® (including without limitation on stationery and vehicles); and

**7.3.3** within 30 days the Member shall return all stocks of the Flavon® products to Flavon® at its own expense (except for those products for which he/she had accepted orders from customers before the date of termination), samples and any advertising, promotional or sales material relating to the Flavon® products which are in the possession of the Member, or act in accordance with Flavon's instructions.

**7.4** At Flavon the violation of any obligation implies the obligation of penalty payment and damage refund. The penalty is ten times the commission of Preferred Customers' or DBA's received for the turnover in the previous month, or if the starting time of the violation of any obligation cannot be determined, the penalty is ten times the average of the commissions generated in the last 12 months. The entitled party can claim refund on her/his damage over the penalty.

## 8 Types of Income<sup>1</sup>

### 8.1 Types of basic commission:

**8.1.1 Rebate for personal turnover:** Customers, Preferred Customers or DBAs receive no rebate on the first carton of products (i.e. the Activation Carton) purchased in the given month on the position. If the position of Customer, Preferred Customer or DBA purchases more cartons – except for VIP pack - in a given month, she/he gets 20% personal rebate per carton from the base price of each carton above the Activation Carton after the closing of the given month, irrespective of the date of joining the Network.

**8.1.2 Quick Start:** in the entry month of the new Member and the following month the sponsor line is entitled to 20-20-20% commission on 3 active levels for his/her Activation Carton (3 points)

Flavon International Ltd. pays 20% individual rebate for every carton purchased in addition to the Activation Carton on the quick-starting position. In this case, 40% is divided on the sponsor line, since Flavon International Ltd. has already paid 20% out of the 60% basic payback as personal rebate.

**8.1.3 Income by levels:** every active Customer, Preferred Customer and DBA is entitled to 5% commission by levels for the Activation Cartons of Customers, Preferred Customers and DBA in his/her Network passed their Quick Start period on 12 active levels.

Flavon International Ltd. pays a 20% personal rebate on each purchase of Customers, Preferred Customers and DBA above the Activation Carton – VIP pack not included - , so in this case the sponsor line is eligible for 40% commission on 12 active levels in total.

## 9 Leader ranks and leadership bonuses

### 9.1 Leader ranks

There are 8 different leadership ranks at Flavon® and the 7th rank –Presidency Membership- comprises 5 further ranks. A given leader rank is achieved by Customer or Preferred Customer, who achieved the given amount of turnover – listed under the given qualification – in a reference month, defined below.

In case of qualifications Flavon® company group calculates points by taking into account the Network turnover on 6 active levels (considering the L-positions to be inactive) of the Customer or Preferred Customer, in case of personal purchases 25 points given for the first 12 cartons are taken into account.

The base of counting leadership bonuses is the same as of commissions' point counting system – leadership bonuses are counted after 3 points in case of first cartons and after 2 points in case of any additional carton purchase.

- A) **Team Leader:** an active Preferred Customer whose Network on 6 active levels reaches 100 points in a given month. She/he is eligible for the "Flavon max Team Leader" title and badge, and can participate with her/his partner (adult family member) in one of the national events of the Flavon® company group for free of charge after she/he first qualified for this rank.

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<sup>1</sup> Remuneration calculated based on methods described in types of income listed in this chapter also includes the voucher price, so when defining the actually generated and payable commission one has to take into consideration the amount of refund according to product vouchers, by which the amount has to be deducted.

- B) **Team Leader Plus:** an active Preferred Customer whose Network reaches 250 points on 6 active levels in a given month. She/he is eligible for the "Flavon max Team Leader Plus" title and 1% leadership bonus for the turnover of her/his 12 active levels, apart from the part which is blocked by a Preferred Customer with leader rank (i.e. "Team Leader Plus," "Elite," "Elite Plus," "Diamond Elite," "Diamond Elite Plus," or "Presidency") who also qualified in the given month.
- C) **Elite Member:** an active Preferred Customer whose Network reaches 500 points on 6 active levels in a given month. She/he is eligible for the "Flavon max Elite Member" title and golden badge and 2% leadership bonus for the turnover of her/his 12 active levels, apart from the part which is blocked by a Preferred Customer with leader rank who also qualified in the given month.
- D) **Elite Plus Member:** an active Preferred Customer whose Network reaches 750 points on 6 active levels in a given month. She/he is eligible for the "Flavon max Elite Plus Member" title, and 2% leadership bonus for the turnover of her/his 12 active levels, apart from the part which is blocked by a Preferred Customer with leader rank who also qualified in the given month.
- E) **Diamond Elite Member:** an active Preferred Customer whose Network reaches 1000 points on 6 active levels in a given month. She/he is eligible for the "Flavon max Diamond Elite Member" title, a golden badge with a diamond and for 3% leadership bonus for the turnover of her/his 12 active levels, apart from the part which is blocked by a Preferred Customer with leader rank who also qualified in the given month.
- F) **Diamond Elite Plus Member:** an active Preferred Customer whose Network reaches 1750 points on 6 active levels in a given month. She/he is eligible for the "Flavon max Diamond Elite Plus Member" title, and a 3% leadership bonus for the turnover of her/his 12 active levels, apart from the part which is blocked by a Preferred Customer with leader rank who also qualified in the given month.

Condition of paying out the leadership bonuses and participation on national events is collecting 40 qualification points on 3 active levels in the given month or months.

G) **Presidency Member:**

- a. an active Preferred Customer whose Network reaches 2500 points on 6 active levels in a given month. She/he is eligible for the "Flavon max Presidency Member" title, a golden badge with two diamonds and for 4% leadership bonus for the turnover of her/his 20 active levels apart from the part which is blocked by a Preferred Customer with leader rank who also qualified in the given month.
- b. **Ruby Presidency Member:** an active Preferred Customer who fulfils the requirements of "Presidency Membership" and has at least one Presidency Member on her/his 6 levels (considering the closest to him in each line) and the Network apart from the Presidency Member's line has a turnover of at least 1000 points on 6 levels in a given month. She/he is eligible for the "Flavon max Ruby Presidency Member" title, a ruby gold ring and 4% extra leadership bonus on the turnover of her/his 20 active levels which is not blocked by a Preferred Customer qualifying for a leader rank in the given month.
- c. **Emerald Presidency Member:** an active Preferred Customer who fulfils the requirements of "Presidency Membership" and has at least 3 Presidency Members on her/his 6 levels on different lines (considering the closest to him on each line) and the Network apart from the Presidency Member's line has a turnover of at least 1000 points on 6 levels in a given month. She/he is eligible for the "Flavon max Emerald Presidency Member" title, an emerald gold ring and 4% extra leadership bonus on the

turnover of her/his 20 active levels, which is not blocked by a Preferred Customer qualifying for a leader rank in the given month.

- d. **Sapphire Presidency Member:** an active Preferred Customer who fulfils the requirements of "Presidency Membership" and has at least 5 Presidency Members on her/his 6 levels on different lines (considering the closest to him on each line) and the Network apart from the Presidency Member's line has a turnover of at least 1000 points on 6 levels in a given month. She/he is eligible for the "Flavon max Sapphire Presidency Member" title, a sapphire gold ring and 4% extra leadership bonus on the turnover of her/his 20 active levels, which is not blocked by a Preferred Customer qualifying for a leader rank in the given month.
- e. **Platinum Presidency Member:** an active Preferred Customer who fulfils the requirements of "Presidency Membership" and has at least 10 Presidency Members on her/his 6 levels in different lines (considering the closest to him in each line) and the Network apart from the Presidency Member's line has a turnover of at least 1000 points on 6 levels in a given month. She/he is eligible for the "Flavon max Platinum Presidency Member" title, a platinum ring with a diamond and 4% extra leadership bonus on the turnover of her/his 20 active levels, which is not blocked by a Preferred Customer qualifying for a leader rank in the given month.

In the case of Presidency Member ranks it is not necessary to collect qualification points on 3 levels in order to receive leadership bonuses.

Ruby, Emerald, Sapphire and Platinum Presidency Members are furthermore entitled for an extra 1% bonus monthly, after the turnover of their Network in unlimited depth except for parts that are blocked by a Preferred Customer with leader rank who is also qualifying in the given month.

#### **H) Double Presidency Member**

an active Preferred Customer whose Network reaches 5000 points on 6 active levels in a given month. She/he is eligible for the "Flavon Double Presidency Member" title, for the bonuses and incentives based on his/her Presidency rank, and for a unique, gilded Hollóházi porcelain vase with his/her name on it.

**9.2 Losing a leader rank:** Those Elite, Diamond Elite, Presidency leaders lose their leader ranks after the monthly closing who

- are inactive in two consecutive months between 1st January and 31st December of the year following the qualification or
- do not buy their personal Activation Carton four times between 1st January and 31st December of the year following the qualification.

The day when the Preferred Customer loses their leader rank they also lose all the entitlements relating to the rank including those trainings, trips which the Preferred Customer already qualified for – and the achievement of the leader rank was a condition of those -, but they have not participated yet and the prizes associated with other tenders are revoked as well.

#### **9.3 Blocking leadership bonus:**

The leadership bonuses (4% + 1%) can be blocked. The degree of blocking is the degree of the leadership bonus that is given to the leader based on his/her rank (e.g. If blocked by a qualifying Elite Member, a Diamond Elite Member is given 1% leadership bonus for the blocked line instead of 3%. For the unblocked line(s) she/he still receives 3%).

Leaders are Flavon® company group's partners with leading ranks, who make a major contribution with their behaviour in the Network to the appearance and image and good reputation of Flavon®. In case a Preferred Customer with any leading rank harms the good reputation of Flavon® through statements or behaviour, or violates the Company's Code of Ethics, Flavon International Ltd. is entitled to deprive the Leader of the leading rank for a period of 1 to 6 months depending on the seriousness of the given behaviour, during which the Leader is not entitled for the leadership bonus of that period.

## 10 Product Ordering

**10.1** The minimum order is one carton of product.

### **10.2 Methods of Ordering:**

*One-off order:* 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 International Ltd. In case of online orders one can choose online payment option. The ordered products are shipped by Flavon International Ltd. via a courier service.

**10.3** International purchase of products: Customers, Preferred Customers and DBA are entitled to order products from Flavon International Ltd. If she/he travels to a country outside of the European Union or to Poland, Hungary or Czech Republic, she/her can order products from the local Flavon company, if she/he informs Flavon® about it and it has been permitted. This kind of travelling cannot be regular, only ad-hoc ones can be requested for permission.

Current delivery costs can be found in the updated price list of Flavon International Ltd. Information on the conditions of home delivery to countries of the European Union is available on website ([www.flavonmax.com](http://www.flavonmax.com)) of Flavon International Ltd.

The ordered products are shipped only after their price has reached the bank account of Flavon International Ltd.

If the price arrives on a given working day till 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 International Ltd., please notify the company 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 price reaches the bank account of the company before Flavon closes the month as indicated on the website at "Monthly closing dates." Provided a report, sum of money, Membership Agreement, etc. are received by Flavon International Ltd after the above mentioned month-closing time (punctually to the hour), it will be accounted and taken into consideration by Flavon International Ltd. for the following opened month.

If the Flavon Membership Agreement is concluded or the Flavon® products and other products are purchased outside of the offices/shops of Flavon International Ltd., or it is made between parties in distance (via CP, back office or phone) – the Customer or Preferred Customer is eligible for withdrawing from the contract or order in the next 14 working days after having signed the contract or received the product without any justification by sending a written confirmation on her/his withdrawal to Flavon International Ltd. (1463 Sofia, 66 Vitosha blvd., 4<sup>th</sup> floor, Bulgaira, e-mail: [office@flavoninternational.com](mailto:office@flavoninternational.com)). The Customer or Preferred Customer can practice his/her right to withdraw by using the sample withdrawal form or with a clear statement. The Customer or Preferred Customer practices his/her right of withdrawal on time if she/he sends his/her statement before the above mentioned deadline. After Flavon International Ltd. received the statement – in case of mails after receiving it – it will confirm the arrival of the confirmation. In this case Flavon International Ltd will delete this Customer or Preferred Customer from its database. Customer or Preferred Customer is

obliged to give the products back to Flavon International Ltd. in undamaged conditions within 14 days in case of withdrawal. After Flavon International Ltd. receives the product or the satisfactory proof of that it has been sent back, the price and other services (delivery cost) will be refunded in the same way as the payment was made to the Customer or Preferred Customer within 14 days. Due to the method of refund the Customer or Preferred Customer cannot be charged with any extra costs. The Customer or Preferred Customer pays the cost of resending the product. The Customer or Preferred Customer loses his/her right of withdrawal if he/she cannot give the product completely back to Flavon International Ltd. in undamaged, unopened conditions.

It is forbidden to sell the products in shops or market them in via the Internet. Customers, Preferred Customers or DBA may only distribute the Flavon® products via direct selling.

## 11 Guarantee, Warranty

Flavon International Ltd. guarantees and warrants that the products it distributes meet all requirements of the official product specification. If there is a complaint on the quality of the product during the warranty period and it proves to be rightful, Flavon International Ltd. exchanges the product free of charge. If the quality complaint is submitted after the expiry date of the product, we cannot exchange the product.

## 12 Communication

### 12.1 Notices

Any notice or other communication given to a party under or in connection with this contract shall be in writing and shall be:

**12.1.1** delivered by hand or by pre-paid first-class post or other next working day delivery service at its registered office (if a company) or its principal place of business (in any other case); or

**12.1.2** sent by email to the most recent email address notified or used by the other party.

### 12.2 Any notice or communication shall be deemed to have been received:

**12.2.1** if delivered by hand, on signature of a delivery receipt or at the time the notice is left at the proper address;

**12.2.2** if sent by pre-paid first-class post or other next working day delivery service, at 9.00 am on the second Business Day after posting [or at the time recorded by the delivery service].

**12.2.3** if sent by fax, at 9.00 am on the next Business Day after transmission.

**12.2.4** if sent by email, on the next Business Day after transmission provided no transmission failure report was generated.

**12.3** This clause does not apply to the service of any proceedings or other documents in any legal action or, where applicable, any arbitration or other method of dispute resolution. For the purposes of this clause, "writing" shall include email.

**12.4** If delivery of any document fails because the addressee did not take it, or denied taking it, or moved to an unknown place then the letter of resignation shall be deemed to have been received on the 5<sup>th</sup> day after the second try of the postal delivery.

## 13 Other MLM networks

Customers, Preferred Customers have to inform Flavon International Ltd prior to signing the Membership Agreement, if she/her or his/her close relative or a company at which she/he is representative, member or employee does activities similar to the present one (as a commercial agent) with another company i.e. is member of another network, and knowing this Flavon International Ltd may deny signing the contract.

If a Member or a company at which she/he is representative, member or employee wishes to join directly or indirectly another direct selling company and aims at signing a contract similar to the present one (as a commercial agent) with another company, she/he will have to obtain the prior written consent of Flavon International Ltd. Should a Club Member or his/her Agent fail to observe the provisions laid down above, she/he will commit a serious breach of contract, which will result in immediate exclusion.

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

## 14 Discounting

It harms the interests of Flavon® company group if the Member or anyone who can be connected to him/her sells or promotes the products purchased by him/her on a lower price than in the prevailing price list.

## 15 Advertising, promotional materials

**15.1** Customers, Preferred Customer and DBA can only use publications, prospectuses, information sheets, brochures, books, DVDs and websites released by Flavon® company group. These materials cannot be altered and must be applied for proper use and purposes. Creation of own materials and advertisements should be approved by Flavon International Ltd. in any case. It is forbidden to state that the product has healing or preventive effects. Every course and treatment like statement is forbidden. Everyone is free to speak about her/his own experiences. Any kind of statement to the press or media (either in written or electronic form) in connection with the products or the Network is forbidden without the written permission of Flavon International Ltd. Everyone himself/herself takes all consequences of their unfair market behaviour. With regard to this behaviour, Flavon International Ltd. or any member of Flavon® company group holds no responsibility.

**15.2 Own distributor webpage:** Members are given the possibility to create a general presentational webpage (distributor webpage) through the Back Office. The content of the Member webpage can be edited in the settings of the Back Office. Web pages of this sort can be accessed at the [www.flavonmax.com](http://www.flavonmax.com) domain. (e.g. [www.flavongroup.com/nagyvirag](http://www.flavongroup.com/nagyvirag)) Flavon International Ltd. shall assume no responsibility for the contents of Member web pages. Provided a Customer or Preferred Customer publishes website contents that are contrary to law or the Organizational and Operational Regulations of Flavon International Ltd., Flavon International Ltd. is eligible for modifying the website content. In the event of serious or repeated infringements Flavon International Ltd. shall delete the presentational webpage from its system and terminate the Member's membership status. Marketing activities on other websites are not permitted. Preferred Customers or DBA are eligible to promote Flavon on social media and/or video sharing portals according to the following conditions:

- obtaining prior permission of Flavon
- the shared things shall have great content about products
- cannot be offensive, unethical or mischievous

## 16 Cross-line sponsoring

**16.1** If a Customer or Preferred Customer is aware of the fact that her/his potential new Member is already a Member of the network of Flavon International Ltd. in another sponsor line, and in spite of it she/he sponsors her/him as a new Member, she/he violates the company's interests. The sponsor who takes part in cross-line sponsoring and with that in fictional contracting, will lose his/her right for commission for 1-6 months depending on how many cross-line sponsoring she/he takes part in, after Flavon International Ltd. becomes aware of the breach. In serious cases Flavon International Ltd. has the right to exclude the Customer and Preferred Customer from the system, so to terminate the Membership Agreement and contract with him/her and with the DBA registered by him/her due to breach of contract.

**16.2** Should a Customer or Preferred Customer join the system more times by a new, fictional contract, she/he can retain her/his first position exclusively, and as soon as the Flavon International Ltd. notices the irregularity, the company will delete him/her from her/his other positions and the she/he loses his/her Network and commission on that line. If the Customer or Preferred Customer violates this point again, Flavon International Ltd. can rightfully terminate his/her and his/her company's Membership Agreement and Contract of Agency due to serious breach of contract.

## 17 Trainings

Participating in the trainings organized by Flavon® company group is free in every case. Conditions of participating in certain special trainings are published at the <http://www.flavonmax.com/> website of Flavon® company group. Costs of travel to and staying at the trainings are covered by participants themselves, unless the Flavon International Ltd. takes these costs over according to the fulfilment of the conditions defined in the announcements.

Applying to the trainings and booking rooms are possible through Flavon International Ltd.'s Customer service, through telephone, in e-mail, or personally until the last working day of the week before the event the latest (depending on the amount of free accommodation).

Accommodation booked related to the trainings are ordered by Flavon International Ltd. under its own name from the provider of accommodation, and they are invoiced further on to the participants. Therefore, participants are obligated to pay the price of the accommodation to Flavon International Ltd. on the day of the last working day of the week before the event the latest.

In case the above mentioned liabilities are not fulfilled, Members will be excluded with all of its other conclusions.

## 18 Other provision

**18.1** Getting to know the Organizational and Operational Regulations, modification

Every Customer, Preferred Customer and DBA is obliged to study the Organizational and Operational Regulations of Flavon®, which she/he was provided at the beginning of the legal relationship of

membership. The right of the modification of the Organizational and Operational Regulations is reserved by Flavon International Ltd. The modification comes into effect on the day it appears on the company website or the date indicated in the Regulations.

**18.2** Flavon International Ltd. will send Customers or Preferred Customers **newsletters** to the e-mail address provided by them at registration. By registering the Customer or Preferred Customer agrees to be sent newsletters regularly.

**18.3** Furthermore, the Customer or Preferred Customer consents that

- her/his **phone number and email address** may be seen by her/his direct sponsor in the sponsor's back office, and Flavon® company group may pass them on to the Member's 3 upline sponsors without her/his special permission;
- Should a Customer or Preferred Customer wish to unsubscribe to the newsletter or does not agree that her/his phone number or email address may be passed on, she/he will send an email to office@flavoninternational.com or will send a letter of refusal to Flavon International Ltd to the following address: 1463 Sofia, 66 Vitosha blvd., 4<sup>th</sup> floor, Bulgaria;
- her/his achieved leader ranks, successful qualifications, her/his participation in the recruitment incentive program and other achievements during her/his Membership can be published, reported by Flavon International Ltd. through internet – on its own homepage or on other homepages – and also can be published in its marketing materials;
- photos, videos of Members taken at events organized by Flavon® company group can be published or reported through internet – on its own homepage or on other homepages – and also can be published in its marketing materials;
- personal data given to Flavon International Ltd. can be managed, stored according to the data protection declaration by Flavon International Ltd. and also can be transmitted to a data controller or data processor in a third country.

**18.4 Handling complaints, solving disputes:**

Flavon International Ltd. always strives for peaceful management of any problem or disputes with its Partners. Customers, Preferred Customers and DBA can report their plea of the activity of Flavon International Ltd. by sending a mail to the company's official address or e-mail address. Each complain will be investigated by Flavon International Ltd. and Member will get written notice of the company's standpoint within 30 days.

**18.5 Language**

- This Agreement is drafted in the English language.
- 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.
- 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 prevailing Privacy Statement of Flavon® which is presented at the official web page of the company forms an integral part of this regulation.

***In effect from: 01 January 2021***