

# Organizational and Operational Regulations of the Flavon max Consumer Club

**These regulations form an integral part of the Flavon max Consumer Club Membership Agreement and Contract of Agency**

## 1) Introduction

Flavon Group Kft. – hereinafter referred to as “Flavon Group” – distributes its products for personal use of independent Club Members of the Flavon max Consumer Club with the purposes

- a) that the Members of the Flavon max Consumer Club improve their dietary habits with the high-quality dietary supplements distributed by Flavon Group and in this way prolong their quality of life. The Club Members provide products primarily for their families, friends, and can recruit new Club Members. These products may not be marketed at retail.
- b) that the Club Members who take part in the building of the consumer network receive the most financial recognition possible, and the successful Club Members reach financial independence.

Neither the employees of Flavon Group, nor the Club Members can promise any concrete income to anyone, as it depends on each Club Member’s personal aptness, efficiency and invested work.

## 2) Definitions

**Club Member/Registration Carton:** a consumer who purchases one carton of product (this is the Club Member’s registration carton) and at the same time she/he signs the „Membership Agreement of the Flavon max Consumer Club” which is accepted/approved by Flavon Group.

A welcome letter and an identification number are sent to the new Club Member by Flavon Group after her/his entry.

**Sponsor:** a Club Member who helps others to join the Flavon max Consumer Club network properly through her/his group. 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 her/his network as much as possible, to assist and support her/his present group in proportion to her/his current commission.

**Sponsor line:** a chain of Club Members; a particular Club Member, her/his active sponsor, the active sponsor of her/his sponsor, and so on, who helped to join the network of the Flavon max Consumer Club and took part in the distribution work. All sponsor lines start from Flavon Group. The sponsor line is not broken even if any of its members is inactive, quits or should be suspended or excluded from the network. In this case the sponsor continues to function by leaving out the inactive Club Member.

**Group:** a consumer network started/sponsored by a Club Member.

**Activity carton:** the first carton, equaling 3 points, purchased in a given month. This is the Club Member’s activity carton, which is one of the requirements for paying out the commission for the monthly turnover. The mere purchase of the activity carton does not mean active participation in Club work.

**Active participant** will be the Club Member who fulfills actively her/his sponsorship obligations and will do everything reasonable to market the products and enlarge her/his group. This implies that she/he will participate, at periodic intervals, in the manifestations and events organized by the Flavon Group Kft.; will recruit new Consumer Club Members and will keep in touch with the Flavon Group Kft. via telephone, e-mail or in person. Flavon Group expects the degree of activity to be proportional to the current commissions and bonuses.

**Performance in a given month:** total purchases of active Club Members, for which orders and their related remittance are submitted to Flavon Group by the closing business day of the month – which can be viewed on the website under the ‘Month-closing dates’ link. Provided a report, sum of money, membership agreement arrives, etc. arrives at Flavon Group after the above mentioned month closing time (punctually to the hour), it will be accounted and taken into consideration by Flavon Group for the following opened month.

**Points:**

- a) **3 points:** for **the registration carton**, and the activity cartons.
- b) **2 points:** for every carton purchased above the registration and the activity carton in a given month.

**Carton:** 4 jars of Flavon max<sup>®</sup> or Flavon kids<sup>®</sup> or Flavon Green<sup>®</sup> or Flavon Active<sup>®</sup>; or 3 jars of Flavon max Plus+<sup>®</sup>. Flavon Group offers the opportunity to purchase mixed cartons.

**Payback:** an allowance given to the active Club Member after her/his performance in the given month after the given month-closing, in the form of purchase discount or commission (basic or leadership). There are two types of commission in the Flavon max Consumer Club:

- a) Basic commission
- b) Leadership bonus (differential bonus and extra differential bonus)

**Basis of commission payment/base price:** The base price of one carton of product is 100 EUR/ GBP + VAT. (In the case of transactions that are subject to legislation on VAT the base price of a carton is the same as its tax base). The base price of one carton of product is the basis of commission payment.

**Price for Club Members:** the current sale price of one carton of Flavon max<sup>®</sup> or Flavon kids<sup>®</sup> or Flavon max Plus+<sup>®</sup> or Flavon Green<sup>®</sup> or Flavon Active<sup>®</sup> is 108 EUR/ GBP + VAT for Club Members. If the Club Member has EU VAT-number, she/he will purchase one carton of product for the net price (without 25% VAT), 108 EUR/ GBP. The prevailing product price list can be viewed on the official website of Flavon Group ([www.flavonmax.com](http://www.flavonmax.com)) at all times.

**Consumer price:** One jar of Flavon max<sup>®</sup>, Flavon kids<sup>®</sup>, Flavon Green<sup>®</sup> and Flavon Active<sup>®</sup> product is 32.4 EUR/ GBP +VAT, and one jar of Flavon max Plus+<sup>®</sup> is 43.2 EUR/ GBP +VAT.

**Personal turnover:** every purchase registered under the given Club Member's name in a month. Types of cartons: registration carton, activity carton, carton above the activity carton.

**CP owner:** CP, i.e. Coordination Point, owner can be any Club Member who

1. is entitled for at least 1296 EUR / GBP +VAT commission in two successive months, or
2. who is given a guaranty of payment by the Elite Club Member and respective Company above him/her, whose group has reached at least Elite level turnover in the previous month.

The CP owner and Flavon Group make a separate agreement with each other with the purpose that the CP owner supplies products directly to current or future Club Members. The CP owner can order/collect 12 cartons of product at once that she/he reports/pays for after they are sold. The CP owner sends an account template or reports through her/his online office to Flavon Group. The CP owner transfers the remittance of sold products to the bank account of Flavon Group on the day of selling. The price of sold products paid to the CP owner is not the property of the CP owner, thus she/he will not use it as his/hers. If the CP owner does not transfer the received money to Flavon Group without delay, she/he will commit a serious breach of contract, which will entail the termination of the CP Agreement, the Contract of Agency and the Membership Agreement with immediate effect. Flavon Group will make out and send invoice to customers who are marked on the account template by the CP owner.

Any Club Member can become CP owner without the fulfillment of above conditions provided she/he pays in the consideration money of 12 cartons of product to Flavon Group when ordering.

Provided the Flavon max Consumer Club Membership Agreement is concluded or the Flavon max products are purchased outside of the offices/shops of Flavon Group Kft. – apart from orders placed by telephone or on the Internet – the Club Member is eligible for withdrawing from the contract in the next 8 working days after having signed the contract without giving a reason by sending a written confirmation on her/his withdrawal to Flavon Group (19 Veres Péter utca, H-4033 Debrecen, HUNGARY). In this case Flavon Group will inactivate this Club Member in the database. Products purchased outside the official offices/shops of Flavon Group Kft. – apart from orders placed by telephone or on the Internet – will only be taken back if the Club Member gives back the total amount of products to Flavon Group without having decreased their value.

It is forbidden to sell the products in shops or market them in via the Internet. Club Members may only distribute the Flavon max products via direct selling.

### 3) Commission Payment

The Club Member – via her/his company/undertaking - can only collect her/his commissions realized at the company/companies indicated on the commission account sent by Flavon Group after signing a Contract of Agency with the given company/companies, in accordance with the regulations of the given country and company/companies. The amount of commissions to be transferred has to exceed the amount of the purchase discount specified in the given country as the maximum purchase discount usable when buying one carton of product. If it is lower than that, the sum of the commissions coming from different months adds up, and the commissions will be paid in one sum, after it exceeds the specified threshold.

Commission to the Club Member is paid out by Flavon Group only if there is a personal purchase above the activity carton, or there is purchase in the group. The payment procedure is the following:

Flavon Group will make the commission accounts based on the sales of the given calendar month for each Club Member eligible for commission. These commission accounts are for information only. Flavon Group will send the commission accounts electronically to the Club Members on the 15<sup>th</sup> day in the month following the month of purchase. Provided the Club Member does not agree with the content of the commission account or it does not correspond to her/his calculations, she/he has 15 days following the date of receipt at her/his disposal to inform Flavon Group about the discrepancy/discrepancies encountered. We will not take into consideration any complaint received thereafter. The payment of commissions starts from the 15<sup>th</sup> day in the month following the month of purchase, after the commission invoice arrives.

It is not possible to collect commission retrospectively after the given business year (1<sup>st</sup> January – 31<sup>st</sup> December) of Flavon Group Kft. is closed. The commissions realized in December can be collected until 31 December the following year.

**The requirement for paying out commissions:**

1. The Club Member purchases the activity carton in the given month.
2. A Contract of Agency has to be made between Flavon Group and a company with proper activities that meets the rules and laws of the given country. The company must be verifiable through entrepreneur's licence or Company's Registry and the Club Member must have representative right or membership in the company.
3. The Club Member can issue an invoice on behalf of her/his company/undertaking.
4. Active (cf. above for the definition of active participant) and regular participation in the network of the Flavon max Consumer Club.

**Registering Commissions:** 65% of the sum derived from the value of base points, which is distributed after the purchased cartons, can be paid back to Club Members, 60% as basic commission and 4%+1% as leadership bonus. Basic commission cannot be blocked, while leadership bonus can be blocked.

The sum of a commission is divided into 2 parts by Flavon Group:

a) Purchase discount:

- Flavon Group gives a **purchase discount** of maximum 60 EUR/GBP +VAT (75 EUR/ GBP gross) per carton to the active Club Member eligible for commission, and this discount is counted from the Club Member's commission;
- **In a given month it is possible to use up to three purchase discounts for buying three cartons of products at the most**, that is a Club Member can use up to 3x60 EUR/GBP +VAT as purchase discount in a given month;
- **If the commission of a given month is not used as purchase discount and the Club Member does not want to collect it in return for an invoice, the commissions can be added up and used as purchase discount within 6 months;**
- **The purchase discount can only be used within 6 months after it was realized, by the realizing Club member exclusively;**
- A Club Member is free to decide whether she/he uses the purchase discount or wants the amount (or part of the amount) in money in return for an invoice;
- The purchase discounts realized in different months can be combined into a single sum of purchase discount up to 60 EUR/GBP +VAT (75 EUR/ GBP gross) per carton. If the Club Member can give an invoice and decides that she/he wants it in currency, she/he has to put 60 EUR/ GBP net price on the invoice.

b) Commission:

If a Club Member decides not to use her/his realized commission in the form of purchase discount, the amount of the commission will be paid by Flavon Group Kft. only after receiving an invoice. Undertakings – apart from Hungary – get the net amount of commission (not including 25% VAT). The Club Member can only collect her/his commission in the given year.

#### 4) Income types:

**These products may not be marketed or sold in Internet web-stores, Flavon max products can only be traded by the means of Direct Marketing.**

##### **Basic commission types:**

**1. Rebate for personal turnover:** there is no rebate on the first carton of products (i.e. the activity carton) purchased in the given month. If the Club Member purchases more cartons in a given month, s/he gets 20% personal rebate per carton from the base price of each carton above the activity carton after the closing of the given month, irrespective of the date of joining the network.

**2. Quick Start:** Flavon Group pays on three active levels of the sponsor line above each new Club Member 20-20-20% (20 EUR/GBP net + VAT) after the new Club Member's activity carton (3 points) in the month of joining and in the following one. During the Quick Start period, the new Club Member will get 20% personal rebate on the cartons purchased above the activity carton. In this case 40% is distributed on the sponsor line – since 20% has already been paid back out of the 60% basic payment – so every distributor is eligible for 13.3 EUR/GBP net (16.7 EUR/GBP gross) commission payment on three levels.

**3. Income by levels:** it is the commission paid on 12 active levels (depth) to all those active Club Members who fulfill actively their sponsorship obligations. These sponsors are eligible for getting 5% commission (5.04 EUR/GBP +VAT, i.e. 6.25 EUR/GBP gross) on 12 active levels (depth) for the purchased activity cartons of those Club Members who are not in their Quick Start period any more. Flavon Group pays a 20% personal rebate on each Club Member's purchases above the activity carton, so in this case the sponsor line is eligible for 40% commission on 12 active levels in total.

Recruitment Incentive Program:

- a) The Club Member, in whose 3 active levels the points given for the new Club Members (i.e. the Quick Start points) reach **40 points** in a given month, is eligible for **1 gift carton** of Flavon max products.
- b) The Club Member, in whose 3 active levels the points given for the new Club Members (i.e. the Quick Start points) reach **80 points** in a given month, is eligible for **2 gift cartons** of Flavon max products.
- c) The Club Member, in whose 3 active levels the points given for the new Club Members (i.e. the Quick Start points) reach **120 points** in a given month, is eligible for **3 gift cartons** of Flavon max products.

These are not counted as purchased cartons. They should be used for Club Members' own consumption or for promotion. Therefore they do not have any point values!

#### 4) Leader ranks and leadership bonuses

**There are 7 different leadership ranks in the Flavon max Consumer Club and the 7<sup>th</sup> rank comprises 4 further ranks:**

- a) **Team Leader:** an active Club Member whose group 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 Group after she/he first qualified for this rank.
- b) **Team Leader Plus:** an active Club Member whose group 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 Club Member of 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 Club Member:** an active Club Member whose group reaches 500 points on 6 active levels in a given month. She/he is eligible for the "Flavon max Elite Club Member" title and golden badge, a gift training in Hungary paid by Flavon Group, and **2% leadership bonus** for the turnover of her/his **12 active levels** apart from the part which is blocked by a Club Member of leader rank who also qualified in the given month. An Elite Club Member can take part in the gift training in Hungary exclusively with her/his adult family member and can use it only in the next training following the first qualification.
- d) **Elite Plus Club Member:** an active Club Member whose group reaches 750 points on 6 active levels in a given month. She/he is eligible for the "Flavon max Elite Plus Club Member" title, and **2% leadership bonus** for the turnover of her/his **12 levels** apart from the part which is blocked by a Club Member of leader rank who also qualified in the given month.
- e) **Diamond Elite Club Member:** an active Club Member whose group reaches 1000 points on 6 active levels in a given month. She/he is eligible for the "Flavon max Diamond Elite Club Member" title, a golden badge with a diamond an all-inclusive one-week holiday abroad for two persons paid by Flavon Group, and for **3% leadership bonus** for the turnover of her/his **12 active levels** apart from the part which is blocked by a Club Member of leader rank who also qualified in the given month. The Club Member can take part in the gift training in Hungary exclusively with her/his adult family member and can use it only in the next training following the first qualification.
- f) **Diamond Elite Plus Club Member:** an active Club Member whose group reaches 1750 points on 6 active levels in a given month. She/he is eligible for the "Flavon max Diamond Elite Plus Club 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 Club Member of leader rank who also qualified in the given month.

The condition of paying out the leadership bonuses in the above cases and participation in above mentioned trainings is collecting 40 quick start points on 3 active levels in the given month or months. Flavon Group Kft. shall publish all conditions of current announcements on <http://www.flavonmax.com/en/news/announcements>

- g) **Presidency Club Member:** an active Club Member whose group reaches 2500 points on 6 active levels in a given month. She/he is eligible for the "Flavon max Presidency Club Member" title, a golden badge with two diamonds, a one-week holiday for two persons abroad paid by Flavon Group, and for **4% leadership bonus** for the turnover of her/his **12 levels** apart from the part which is blocked by a Club Member of leader rank who also qualified in the given month. The Club Member can take part in the gift training in Hungary exclusively with her/his adult family member and can use it only in the next training following the first qualification. In the case of Presidency Club Member ranks it is not necessary to collect quick start points on 3 levels in order that Presidency Club Members be paid out their leadership bonuses.

After closing the business year an extra bonus of 1% on the total yearly turnover of the company (differentiated) is distributed among qualifying Ruby, Emerald, Sapphire and Platinum Presidency Club Members in a weighted way by Flavon Group once a year.

i) **Ruby Presidency Club Member:** an active Club Member who fulfills the requirements of "Presidency Club Membership" and has at least one Presidency Club Member on her/his 6 levels (considering the closest to him in each line) and the network apart from the Presidency Club 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 Club Member" title, a ruby gold ring and 4% extra leadership bonus on the turnover of her/his 20 levels, which is not blocked by a Member qualifying for a leader rank in the given month.

ii) **Emerald Presidency Club Member:** an active Club Member who fulfills the requirements of "Presidency Club Membership" and has at least 3 Presidency Club Members on her/his 6 levels in different lines (considering the closest to him in each line) and the network apart from the Presidency Club 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 Club Member" title, an emerald gold ring and 4% extra leadership bonus on the turnover of her/his 20 levels, which is not blocked by a Member qualifying for a leader rank in the given month.

iii) **Sapphire Presidency Club Member:** an active Club Member who fulfills the requirements of "Presidency Club Membership" and has at least 5 Presidency Club Members on her/his 6 levels in different lines (considering the closest to him in each line) and the network apart from the Presidency Club 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 Club Member" title, a sapphire gold ring and 4% extra leadership bonus on the turnover of her/his 20 levels, which is not blocked by a Member qualifying for a leader rank in the given month.

iv) **Platinum Presidency Club Member:** an active Club Member who fulfills the requirements of "Presidency Club Membership" and has at least 10 Presidency Club Members on her/his 6 levels in different lines (considering the closest to him in each line) and the network apart from the Presidency Club 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 Club Member" title, a platinum ring with a diamond and 4% extra leadership bonus on the turnover of her/his 20 levels, which is not blocked by a Member qualifying for a leader rank in the given month.

#### Blocking leadership bonus:

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

## 5) Product Order

The **minimum order** is one carton of Flavon max<sup>®</sup>, Flavon kids<sup>®</sup>, Flavon Green<sup>®</sup>, Flavon Active<sup>®</sup> or Flavon max Plus+<sup>®</sup> product.

#### **Methods of Ordering**

- a) **In person purchase:** the products can be purchased in person in the shops, in the opening hours, after customers have filled in a product order form.
- b) **One-off order:** orders can be placed by telephone, fax, e-mail or on the online office. The price of the products together with the delivery cost should be paid or transferred into the bank account of Flavon Group. The ordered products are shipped by Flavon Group via a courier service.

Current **delivery** costs (for 1-10 cartons) can be found on [www.flavonmax.com](http://www.flavonmax.com). (In case of orders of more than 10 cartons: delivery is free of charge.) Information on the conditions of home delivery to countries of the European Union is available on the central telephone numbers of Flavon Group: +36-52-520-522 or +36-52-520-520, on the +36-52-520-521 fax number, or on our website ([www.flavonmax.com](http://www.flavonmax.com)).

The ordered products are shipped only after their price arrives into the bank account of Flavon Group.

If the price arrives on a given working day, 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 Group, please notify the change to the company in each case when you place the order. If an order is placed at the end of the month, it counts as an order for that particular month only if its price arrives into the bank account of the company before Flavon Group closes the month. For further information please visit our website and click on "Month-closing dates." Provided a report, sum of money, Membership Agreement, etc. arrives at Flavon Group after the above mentioned month closing time (punctually to the hour), it will be accounted and taken into consideration by Flavon Group for the following opened month.

## 6) Guarantee, Warranty

Flavon Group guarantees and warrants to its Club Members that the products distributed by Flavon Group 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 Group exchanges the product free of charge. If the quality complaint is submitted after the expiry date of the product, we cannot exchange the product.

## 7) Club Members

Every Flavon max Consumer Club Member is an independent contracting party who is obliged to run her/his business according to the "Flavon max Consumer Club Membership Agreement" and the laws of the particular country. A Club Member should be an adult natural person.

**Club Member and her/his enterprise:** If the Club Member requires commission payment, she/he should make out an invoice to the Flavon Group through the company (sole proprietor or corporate body) she/he represents. It is required for commission payment and invoicing that the undertaking and Flavon Group Kft. make a contract to each other. Should there be any change in the Club Member's company, or her/his private data, she/he is liable for sending a written notification of that without delay. Provided no written notification is sent, Flavon Group shall not assume any liability for any resulting undue payment or transfer. In the absence of such notification Flavon Group Kft. is free to terminate the contract immediately.

Every Club Member can be member of the system only once (and only as a natural person). Spouses, unmarried partners and family members living in the same household can be contracting parties separately, but they should sponsor one another exclusively in the same sponsor line. Husband and wife take responsibility for each other's position and treated jointly.

**Position transfer:** The Club Member status in the Flavon max network is bound to the person. It can only be transferred after receiving a written consent of Flavon Group, which the Club Member must apply for in writing, on which Flavon Group will decide in 30 days after its submission. When the club membership status is transferred, the position of the former Club Member is terminated, the group is lost, and she/he cannot join any other Club Member within 1 calendar year. However, she/he can join her/his former sponsor any time as a new club member. Only the original owner is eligible for collecting the commission accumulated on the actual position before the transference. The new owner of the position can only collect the commission accumulated a posteriori. Commissions cannot be collected retrospectively. The conclusion of false, fictitious transference containing malicious intentions is strictly forbidden. If a Club Member or her/his company concludes such an agreement or contributes to its conclusion, it shall result in her/his immediate exclusion.

Rules related to transference are decisive for **exchange** of club membership statuses as well. The only exception is that exchange will not result in the termination of Club Membership positions because they are simply exchanged. Flavon Group Kft. may reject any membership status exchange request when there are grounds for assuming that the underlying intention is sponsor shift, structural modification or regrouping.

**Sponsor shift:** a Club Member can change her/his sponsor only with the permission of Flavon Group. The Club Member should submit a written request on the sponsor shift, for which he attaches the signatures of her/his upline on 12 levels. If the sponsor line is not that long, the signatures must be collected up to Flavon Group inclusively. The shift requesting Club Member will be deleted from her/his earlier position and will be allowed to join her/his new sponsor immediately. However, she/he cannot take any of her/his recruited Club Members, neither her/his network with him/her. They will be taken over by the requesting Club Member's former direct sponsor. Flavon Group Kft. may reject any sponsor shift request when there are grounds for assuming that the underlying intention is structural modification or regrouping.

**Termination of Club Membership:** A Club Member can denounce the Club Membership Agreement at any time by submitting a written denouncing declaration. If the former Club Member intends to become member of the Consumer Club again, she/he is free to join anyone if one calendar year has passed after denunciation. If she/he wishes to join again within one year, she/he can rejoin her/his former Sponsor exclusively as a new Club Member, but she/he cannot get her/his group back.

**Exclusion:** If a breach of contract occurs, Flavon Group Kft. may, at any time and with immediate effect, terminate the Membership Agreement or the Contract of Agency by sending a written notification to the Club Member or the senior official of the company specified in the Contract of Agency. If notification has proved to be impossible because the addressee failed or refused the receipt of the document or the address of the addressee cannot be established, the exclusion letter shall be deemed to have been notified on the 5<sup>th</sup> working day after the second attempt of delivery of the notification by post. Neither a Club Member nor any relative of a Club Member who was excluded due to breach of contract can join the Club within one year after the exclusion, her/his Membership status lapses. Simultaneously with the exclusion, Flavon Group terminates the Contract of Agency concluded with the Company represented by the Club Member with immediate effect. Immediate exclusion can be a result of seriously breaching the provisions laid

down in the Membership Agreement, the Contract of Agency, the Organizational and Operational Regulations, especially if the Club Member will not fulfill her/his obligations, will not maintain relations with Flavon Group or will not cooperate.

**Inheritance:** The status can be inherited in case of the Club Member's death. In the 60 day-period after the Club Member's death the commissions and bonuses the status earned are paid even without any personal activity. In case of inheritance and transference, the conditions of commission payment are the same as it was for the original Club Member. In case of inheritance the provisions relating to inheritance of the Hungarian Civil Code shall apply.

**Losing one's group:**

1. a Club Member who is inactive in 12 consecutive months, i.e. does not have a minimum monthly purchase of 108 EUR/GBP + VAT (activity carton) in the Flavon max Consumer Club, and
2. excluded Club Members

will lose their rights for potential network commissions, i.e. they will lose their group, and will be deleted from the system. Their network goes up by one level in the sponsor line.

Flavon Group sends a written registered letter to the excluded Club Member's registered address about the violation of the regulations which resulted in exclusion. The registered letter we send out should be considered as delivered in 3 working days after being posted.

In the Consumer Club the violation of any obligation implies the obligation of penalty payment and damage refund. The penalty is ten times the commission of 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.

**Other MLM networks:**

If a Club Member or a company at which the Club Member is representative, member or employee carries out similar commercial agent activity (i.e. direct selling), the Club Member shall inform Flavon Group Kft. in advance, before signing the Membership Agreement or the Contract of Agency, about her/his direct selling activity. Having taken into consideration the information supplied, Flavon Group Kft. is entitled to refuse to sign any contract. If a Club Member or a company at which the Club Member is representative, member or employee wishes to join 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 Group Kft. Should a Club Member 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 disqualification if the Club Member is owner or senior official in any other company that works in MLM-system and/or distributes dietary supplements.

**Discounting:** If a Club Member distributes the products she/he purchased under the suggested selling price (27 EUR/GBP + VAT for a jar of Flavon max<sup>®</sup> or Flavon kids<sup>®</sup> or Flavon Green<sup>®</sup> or Flavon Active<sup>®</sup> and 36 EUR/ GBP + VAT for a jar of Flavon max Plus+<sup>®</sup>), she/he violates the interests of Flavon Group.

**Advertising, promotional materials:** Club Members can only use publications, prospectuses, information sheets, brochures, books, DVDs and websites released by Flavon 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 Group in any case.

It is forbidden for Club Members to state that the product has healing or preventive effect and provide misleading information. Everyone is free to speak about her/his own experiences in connection with the products. 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 Group. Club Members take all consequences of their unfair market behaviour. With regard to this behaviour, Flavon Group or the Flavon max Consumer Club holds no responsibility.

Club Members are given the possibility to create a general presentational webpage (Club Member webpage) through the Online Office. The content of the Club Member webpage can be edited in the settings of the Online Office. Web pages of this sort can be accessed under the [www.flavongroup.com](http://www.flavongroup.com) domain. (e.g. [www.flavongroup.com/nagyvirag](http://www.flavongroup.com/nagyvirag)) Flavon Group shall assume no responsibility for the contents of Club Member web pages. Provided a Club Member publishes website

contents that are contrary to law or the Flavon Group Organizational and Operational Regulations, Flavon Group is eligible for modifying the website content. In the event of serious or repeated infringements Flavon Group shall delete the presentational webpage from the system and terminate the Member's membership status.

Club Members of leader rank have the opportunity to conclude an E-Mail Address Licensing Contract with Flavon Group Kft., according to which contract it operates an electronic mail address starting with the Club Member's name and ending with flavonmax.com (e.g. nagyvirag@flavonmax.com).

**Cross-line sponsoring:** if a Sponsor is aware of the fact that her/his potential new Club Member is already a Club Member of the Flavon max network in another sponsor line, and in spite of it she/he sponsors her/him as a new Club Member, she/he violates the company's interests. Should a Club Member join the system more times, she/he can retain her/his first position exclusively, and as soon as the Flavon Group Kft. notices the irregularity, the company will delete him/her from her/his other positions.

A Club Member is liable for complying with Hungarian laws, the regulations of the Direct Selling Association, and the Code of Conduct, and proceeding accordingly during her/his membership.

The violation of any obligation described above results in the exclusion of the Club Member and involves all its consequences in all cases.

## **8) Other provisions**

Every Club Member is obliged to study the Organizational and Operational Regulations, 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 Group. The modification comes into effect on the day it appears on the company website.

The Flavon Group Kft. will send newsletters to the e-mail address provided by the Club Member in the Membership Agreement. By signing the Membership Agreement the Club Member agrees to be sent newsletters regularly. Furthermore, the Member consents that her/his phone number and email address may be seen by her/his direct sponsor in the online office, and Flavon Group Kft. may pass them on to the Member's 3 upline sponsors without her/his special permission. Should a Club Member 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 [info@flavongroup.com](mailto:info@flavongroup.com) or will send a letter of refusal to Flavon Group Kft. to the following address: 19 Veres Péter utca, H-4033 Debrecen, HUNGARY.

The Parties hereby submit, depending on the value of the litigation, to the exclusive jurisdiction of the Municipal Court of Debrecen or the Hajdú-Bihar County Court, to settle any disputes arising from or in connection with the present contract. The present Organizational and Operational Regulations is Annex 1 of the Membership Agreement and the Contract of Agency. In matters not covered by this Regulation the provisions of the Hungarian Civil Code and the Act CXVII of 2000 shall apply.

Debrecen, 11 November 2010