

Regulations of FM GROUP Club Member - page 1/2

1. Glossary

1.1. Distributor price – it is a Catalogue price reduced by possible concession discounts set and made public to the Distributors by FM GROUP Canada or an FM GROUP Branch. It is the price paid when a Distributor buys FM GROUP Products from FM GROUP Canada or from an FM GROUP Branch.

1.2. Catalogue price – the price set and published by FM GROUP Canada or an FM GROUP Branch in the FM GROUP Catalogue which is used when the Distributor sells FM GROUP Products, not including possible promotions or discounts given by FM GROUP Canada or an FM GROUP Branch to the purchasers.

1.3. FM GROUP Club Member (Distributor) – an entity that is bound with FM GROUP Canada or an FM GROUP Branch by an agreement (Distribution Agreement) authorizing this entity to operate in the FM GROUP Distributor Network;

1.4. FM GROUP Canada – the company FM GROUP Canada Ltd., with the registered office at: 1085 Bellamy Road North, Suite 14, Toronto Ontario running the economic activity in the scope of direct sale of FM GROUP Products in the Multi-Level Marketing (MLM) system and providing advertising services pursuant to the franchise agreement concluded with FM GROUP World; entered into the registry of the Ministry of Consumer and Business Services run by the Government of Ontario under the Ontario Corporation Number 1726408;

1.5. FM GROUP World – FM GROUP World Andrzej Trawinski Sp. k. with the registered seat at 247, Żmigrodzka street, Wrocław, entered into the register of entrepreneurs KRS run by the District Court for Wrocław-Fabryczna in Wrocław Vth Economic Division of the National Court Register under number KRS: 0000268185, NIP: 895-187-00-93, identification number REGON: 020411302;

1.6. Group of FM GROUP Club Members – a group of Distributors formed by a recommendation sequence in such a way that a certain Distributor (Sponsor) recommends (sponsors) another person to become an FM GROUP Club Member (Distributor) who then sponsors other people, etc.

1.7. FM GROUP Catalogue – a presentation of FM GROUP Products and their suggested retail prices; it is not an obligation within legal provisions but rather it is only an invitation to place orders by parties interested in purchasing FM GROUP Products;

1.8. FM GROUP Club (FM GROUP Distributor Network, Network) – all Members (Distributors) of the FM GROUP Club;

1.9. Distributor Number – a unique number consisting of a sequence of digits or a sequence of digits and letters, which is assigned to a Distributor when he/she concludes the Distribution Agreement.

1.10. FM GROUP Branch (Branch) – an entity other than FM GROUP Canada running an economic activity in the scope of direct sales of FM GROUP Products in the MLM system and providing services on the basis of a distribution franchise agreement concluded with FM GROUP World;

1.11. Marketing Plan – a set of principles determining, among others, the necessary conditions for FM GROUP Club Members to reach certain effectiveness levels and to calculate the Commissions for achieving the given effectiveness levels;

1.12. FM GROUP Products – the goods produced and sold under the FM GROUP Trademark;

1.13. Commission – an amount reserved for a Distributor by way of reaching a certain effectiveness level (understood pursuant to the Marketing Plan), calculated in compliance with the principles set in the Marketing Plan; the commission may be in the form of a concession discount or remuneration;

1.14. Regulations – the present Regulations of the FM GROUP Club Member, which is an integral part of the Distribution Agreement linking FM GROUP Canada with a Distributor.

1.15. Sponsor – a member of FM GROUP club, who recommended (sponsored) a candidate for future member of FM GROUP Club, by placing his/hers signature on the application for joining FM GROUP Club; at the same time he/she is the leader of the group formed as a result of the recommendation sequence which he/she initiated

1.16. FM GROUP Trade Mark – means the FM GROUP World copyright to the word and figurative trademark "FM GROUP" and "FM GROUP FOR HOME"; as well as the patterns protection law to the word and figurative trademark "FM GROUP" registered by FM GROUP World in the Patent Office of the Republic of Poland and the word and figurative "FM GROUP FOR HOME" submitted by FM GROUP World to the Patent Office of the Republic of Poland;

1.17. Starter Kit (Starter) – a set of FM GROUP Product samples, packaged in original case together with informational and promotional materials to be used at the direct sale or promotional services of FM GROUP Products, Network and FM GROUP Trade Mark; however, the copyright to the system of presentation is restricted and is the property of FM GROUP World;

2. FM GROUP Club membership

2.1. A physical entity of legal age running an economic activity as well as legal entities, which are recommended to the FM GROUP Club by its member, the Sponsor, may become a member of the FM GROUP Club.

2.2. An entity interested in receiving the status of a Distributor (Candidate):
– delivers FM GROUP Canada or an FM GROUP Branch an Application Form for membership in the FM GROUP Club signed by him/her in his/her own handwriting and by the recommending Sponsor; the Application Form can be obtained from FM GROUP Canada or an FM GROUP Branch, and
– with the restriction of paragraph 3.2.8, purchases a Starter Kit which is indispensable for presenting the FM GROUP Product line, and writes down the number of the Starter Kit on the Application Form.

The Candidate becomes a Member of the FM GROUP Club after the membership Application Form has been signed by

an authorized FM GROUP Canada representative or by an authorized representative of an FM GROUP Branch, respectively, (when the Application Form is signed, it becomes the Distribution Agreement) and after the Candidate's data is entered into the computer system of the Distributors' register (Distributors' database).

2.3. A Candidate may also apply for membership in the FM GROUP Club by sending the completed Application Form signed by the Candidate and the Sponsor by electronic mail or fax to the address and number listed on the website of FM GROUP Canada or FM GROUP Branch. The moment the Candidate is entered into the computer system of the Distributors' register (Distributors' Database), the Candidate becomes a Conditional Member of the FM GROUP Club (Conditional Distributor), acquiring the right to order FM GROUP Products and to recommend (sponsor) new candidates for membership in the FM GROUP Club with the restriction of paragraph 3.2.10 given below. The Conditional Distributor may not become a Seller or Advertising Agent by making up the agreements described in paragraphs 3.2.2. and 3.2.5 below. The Conditional Distributor does not have the right to receive Commission in the form of concession discount or remuneration.

2.4. The Conditional Distributor is obliged to submit respectively to FM GROUP Canada or an FM GROUP Branch an original Application Form for membership in the FM GROUP Club, made available by FM GROUP Canada or an FM GROUP Branch, signed in his/her own hand and by the recommending Sponsor to FM GROUP Canada or an FM GROUP Branch, respectively, within 30 days from the day the Application Form from the website is sent or from the day the Application Form is sent by electronic mail or fax, with the restriction that:

(i) if the Sponsor recommending the Conditional Distributor resides/has his/her registered office in a city other than the recommended Conditional Distributor, then the time limit of 30 days referred to above shall be respected, if within the term, the Sponsor, who recommends the Conditional Member, delivers the application signed in his/her own hand, to FM GROUP Canada or an FM GROUP Branch, recommending the Conditional Distributor to become a Member of the FM GROUP Club, but when

(ii) the Conditional Distributor is not recommended by any Sponsor, then his/her delivery of the Application Form for acceptance in the FM GROUP Club on the form made available by FM GROUP Canada or an FM GROUP Branch, signed in his/her own hand, within the time limit provided above, is treated at the same time as the application for the appointment of the Sponsor by FM GROUP Canada or FM GROUP Branch. Moreover if the Conditional Distributor runs the economic activity, he/she should submit, within 30 days, a copy from the registry of businesses or registry of entrepreneurs.

When the authorized representative of FM GROUP Canada or an FM GROUP Branch signs the Application Form for acceptance to the FM GROUP Club as a Conditional Distributor, the application becomes the Distribution Agreement and the applicant – a rightful Member of the FM GROUP Club. In case of ineffective expiry of the aforementioned 30 day period, the Conditional Membership in the FM GROUP Club terminates.

2.5. To confirm solemnization of the Distribution Agreement, one copy of the Agreement is sent immediately to the New Member of the FM GROUP Club to the address listed by him/her in the Application Form after the Agreement is authorized by a representative of FM GROUP Canada or an FM GROUP Branch, respectively.

2.6. Each physical and legal entity may apply for membership in the FM GROUP Club. Both, FM GROUP Canada, as well as an FM GROUP Branch may refuse to solemnize the Distribution Agreement with the recommended Candidate for membership in the FM GROUP Club only when:

a) the period of 6 months since the membership termination, described in paragraph 5.9 of the Regulations has not elapsed;

b) the Candidate for the FM GROUP Club Member was already bound by the Distribution Agreement with FM GROUP Canada or an FM GROUP Branch and the Distribution Agreement was dissolved with him/her as a result of the Candidate's breach of the Regulation provisions, Marketing Plan or other principles of operation in the FM GROUP Distributors' Network.

c) the Candidate for Membership in the FM GROUP Club is already bound by the Distribution Agreement with FM GROUP Canada or an FM GROUP Branch.

2.7. The Candidate may be the party of the Distribution Agreement only with FM GROUP Canada, or only with one FM GROUP Branch at one time. However the Member of the FM GROUP Club, who wants to start cooperation and signs the Distribution Agreement with another FM GROUP Branch, then the one he/she is already bound by the Distribution Agreement, may:

a) terminate the Distribution Agreement pursuant to paragraph 5.1., without the consequences described in paragraph 5.9. and may continue his/her activities making use of his/her existing Distributors' Number, under the condition that he/she shows his/hers intention in the notice to terminate the Agreement and under the condition that he/she shall submit the Application for solemnization of the Distribution Agreement to the other FM GROUP Branch and signs the Distribution Agreement with the other FM GROUP Branch pursuant to the provisions described in paragraphs 2.1. – 2.6. above, immediately after he/she dissolves the previously binding Distribution Agreement, however not later than 14 days after the Agreement is dissolved;

b) apply to the new FM GROUP Branch, with which he/she intends to solemnize the Distribution Agreement to take over liabilities of the Branch with which he/she has been bound by the Distribution Agreement by way of due but not yet paid Commission. Such a takeover shall occur only upon the consent of those two Branches.

2.8. The Member of the FM GROUP Club may possess only one Distributor Number in the Distributors' Database with the restriction of paragraph 5.12. of the Regulations and the cases provided for in the Marketing Plan. In case

of an effective takeover of the rights and obligations of a certain Member of the FM GROUP Club by another entity (New Distributor), the New Distributor is given a Distributor Number, under which the Member of the FM GROUP Club operated and from which the New Distributor took over the rights and obligations.

2.9. The Members of FM GROUP Club who are shareholders of the partnerships of the commercial law or partners of the civil partnership, may lodge a joint application in writing to grant them one joint Distributor Number. In this case these entities shall be regarded as one Member of the FM GROUP Club in the system of orders and settlements, which means in particular that in the scope of their liabilities they are joint and several debtors and in the scope of their claims they are joint and several creditors.

2.10. The rights and obligations of the Member of the FM GROUP Club may not be assigned to any other person and they are not assigned to third parties in other cases, except for the situation when:

(a) one of the shareholders of the partnership of the commercial law or civil partnership, who applied for one joint Distributor Number pursuant to paragraph 2.9 above, ceased to be the party of the Distribution Agreement or ceased to be the shareholder of this company. Then the remaining shareholders continue economic activities described in paragraph 2.9 above, using the Distributor's Number reserved for these shareholders.

(b) Upon prior consent in writing from FM GROUP Canada or an FM GROUP Branch, respectively, the Member of the FM GROUP Club shall introduce any physical entity of age or legal entity for his/her own place as a Distributor – the party of the Distribution Agreement pursuant to a written agreement about the takeover of the rights and obligations of the withdrawing Member of the FM GROUP Club. Refusal of the consent shall occur in particular with regard to the entity who was previously deprived of the membership in the FM GROUP Club for the infringement of the Regulation provisions or other adopted and announced principles of operation in the FM GROUP Distributors' Network known to the Members of the FM GROUP Club or in the situation when the period of 6 months from the cessation of the membership, described in paragraph 5.9 of the Regulations has not yet elapsed or when the Candidate for FM GROUP Club Membership is already bound by the Distribution Agreement with FM GROUP Canada or FM GROUP Branch, as well as when for the place of the withdrawing Distributor, physical or legal person would be placed, who has acted on the Distributor number of the withdrawing Distributor before; when a Member of FM GROUP Club operates on more than one Distributor number, which was given to him/her for achieving a certain level of effectiveness, according to the provisions of the Marketing Plan, then the agreement on the acquisition of the rights and obligations of the withdrawing Distributor must apply to all these Distributor numbers.

(c) a capital company shall be formed as a result of the merger or transformation of the legal entity that is the Member of the FM GROUP Club or the partnership in which all shareholders were given, upon their application, one Distributor Number, this capital company shall assume the rights and obligations of the Distributor (Distributors) of the FM GROUP Club undergoing the merger or transformation. In the case where capital companies or partnerships whose shareholders and partners were granted, upon their application, one Distributor's Number, are transformed or merged and only one of them is the Distributor, the newly formed capital company shall continue its activities under the Distributor Number given to the Distributor undergoing the transformation or merger. In case of the merger of the capital companies or partnerships in which all the shareholders were given, upon their application, one Distributor's number, and more than one company is the Distributor, the new capital company, created as a result of the merger has the right to make a choice of the Distributor Number under which it shall continue its activities. Within 14 days the company must make a statement in writing informing what Distributor Number it shall use in continuing its activities as the Member of the FM GROUP Club. In case of ineffective elapse of the time limit described above, FM GROUP Canada or FM GROUP Branch, respectively shall select the Distributor Number and notify the company;

(d) the capital company, that is a Member of FM GROUP Club, undergoes the division. In this situation the rights and obligations of the Distributor are transferred to this taking over company or a new company created as a result of the division; the company on the day of the division or separation assumes the rights and obligations resulting from the Membership in the FM GROUP Club pursuant to the division plan, of the company which has been the Member of the FM GROUP Club. The company is obliged to notify FM GROUP Canada or an FM GROUP Branch, respectively, about the assumption of the rights and obligations within 14 days. In case the rights and obligations are assigned to more than one company or rights and obligations are not assigned to any of the companies in the division plan, the companies making a takeover or new companies created as a result of the division are obliged to appoint jointly in writing in the aforementioned time limit one company which shall execute the rights and obligations of the Member of the FM GROUP Club under the rigor of recognizing the declarations made by any of the companies to FM GROUP Canada or FM GROUP Branch as ineffective on the basis of the relations resulting from the Distribution Agreement and the agreement described in paragraph 3.2.2. below. Exceeding the elapse of the aforementioned time limits constitutes the grounds to terminate the Distribution agreement by FM GROUP Canada or FM GROUP Branch, respectively.

3. Principles and conditions of operation in the FM GROUP Club

3.1. General conditions

3.1.1. FM GROUP Canada or an FM GROUP Branch sells FM GROUP Products exclusively to Members of the FM GROUP Club.

3.1.2. Distributors purchase FM GROUP Products from FM GROUP Canada or from an FM GROUP Branch at Distributor Prices, but the amount of potential discount from the Catalogue Prices shall be announced on the website of FM GROUP Canada or FM GROUP Branch, respectively, or communicated in other accepted way.

3.1.3. The Distributor receives points for the purchase of indicated FM GROUP Products made directly from FM GROUP Canada or an FM GROUP Branch, depending on the fact if the Distributor has signed a Distribution Agreement with FM GROUP Canada or an FM GROUP Branch.

3.1.4. The list of FM GROUP Products that are awarded with points as well as the number of points awarded for the purchase of products from FM GROUP Canada or FM GROUP Branch is communicated by FM GROUP Canada or Branch to the Members of the FM GROUP Club in such a way that upon placing an order for FM GROUP Products the Members can see the number of points received for their purchase at that time.

3.1.5. Unless the Distributor purchases FM GROUP Products within 12 months of the Accounting period, for which he/she would receive at least 103.26 points, the Distribution Agreement expires on the day that follows the end of Accounting period. The first 12-month Accounting period is counted from the day of signing the Distribution Agreement, and each next 12-month Accounting period – from the day of the anniversary of signing the Distribution Agreement.

3.1.6. Reaching one of the effectiveness levels determined by the Marketing Plan entitles the Distributor to a Commission in the form of a discount or remuneration granted (paid) by FM GROUP Canada or an FM GROUP Branch, respectively, depending on the party which Member of the FM GROUP Club has signed the Distribution Agreement with, i.e. FM GROUP Canada or FM GROUP Branch.

3.1.7. The amount of the commission attributable to a Member of FM GROUP Club, will each be reduced by the amount of contribution (including contributions for employment insurance, health insurance, tax), when the legal provisions specify that those contributions are mandatory.

3.1.8. Distributor is granted the right to a Commission for a given calendar month (Accounting period) by purchasing FM GROUP Products equivalent to at least 34.42 points in total in the month that the commission is to be paid.

3.1.9. FM GROUP Branch (or FM GROUP Canada, depending with which branch the Member of FM GROUP Club signed the Distribution Agreement) has the right to grant the above-mentioned Commission as well as points for FM GROUP products purchased by the Distributor from this FM GROUP Branch (FM GROUP Canada) despite the fact that the Distributor has not signed a Distributor Agreement with this Branch (FM GROUP Canada), under the condition of equal and fair treatment of all FM GROUP Club Members by this Branch (FM GROUP Canada).

3.1.10. The rules for determination of the effectiveness level of points collected by the Member of the FM GROUP Club and the rules for assessment (amount) of the Commission to which this Distributor is entitled to due to attainment of the given effectiveness level are set out in the Marketing Plan.

3.1.11. The Member of FM GROUP Club is obliged to collect timely delivery of FM GROUP Products ordered by him/her and settle the amount due for them, and, in case the delivery is not collected, to reimburse the shipment costs and the costs of returning the package to the sender. Failure to receive the package containing FM GROUP Products ordered, and as a consequence their returning to FM GROUP Canada, shall be treated as a withdrawal from the Sales Agreement with regard to the returned FM GROUP Products. FM GROUP Canada or an FM GROUP Branch has the right to refuse to complete an order from a Distributor who breached the obligations described in the first sentence above, as well as, it has the right to deduct the costs of shipment and returning the package to the sender, including the Commission from FM GROUP Canada or FM GROUP Branch, that this Distributor is entitled to.

3.1.12. A Member of the FM GROUP Club is not an employee, agent or commission agent of FM GROUP World, FM GROUP Canada or an FM GROUP Branch; as well as he/she is not, as a Distributor, the representative of these parties by any other virtue, unless these parties have explicitly stated otherwise in writing. Therefore, he/she has no right to undertake any activities, in particular to Agreement obligations, in the name and for FM GROUP World, FM GROUP Canada or an FM GROUP Branch.

3.1.13. However, in case of direct sales of FM GROUP Products and providing advertising services of the FM GROUP Network and Trademark as well as promotion of FM GROUP Products, the Distributor can use the FM GROUP Trade Mark and advertising, promotional and informational materials published by FM GROUP World or FM GROUP Canada or an FM GROUP Branch, respectively. The use of other materials, which are not explicitly accepted by FM GROUP World or FM GROUP Canada or an FM GROUP Branch, respectively, is admissible unless it violates the obligations of the Distributor, in particular those indicated in paragraph 3.1.14 and 3.1.15, below. The Distributor bears exclusive responsibility and whole risk related to the use of such materials.

3.1.14. The Distributor is required to give information about the FM GROUP Distribution Network to clients, as well as about availability, prices and properties of FM GROUP Products in a reliable way and in concordance with the data received from FM GROUP Canada or an FM GROUP Branch, respectively, which are included in the current information, advertising and promotional materials prepared by FM GROUP Canada or FM GROUP Branch, bearing in mind that FM GROUP Products are original products of FM GROUP World. Under no circumstances can the Distributor mislead the purchasers of FM GROUP Products.

3.1.15. The Distributor is obliged to refrain from actions which may harm the reputation of FM GROUP World, FM GROUP Canada, FM GROUP Branch or FM GROUP Products, in particular from disseminating information which might be harmful for FM GROUP World, FM GROUP Canada or FM GROUP Branch, as well as other entities, in particular as a

result of illegal use of the names of their products.

3.1.16. The Distributor who sells FM GROUP Products cannot do so in shops, kiosks, stalls, or any other fixed, organized points of retail selling, or by means of internet auction or any other way that is against the rules of direct selling.

3.1.17. The Distributor can present FM GROUP Products during festive parties, flea markets or fairs, but exclusively for advertising purposes or for the recruitment of new Distributors.

3.1.18. The Distributor is obliged to inform FM GROUP Canada or FM GROUP Branch, respectively, in writing, of any change with regard to his/her information included in the Distribution Agreement or other agreements concluded by him/her with FM GROUP World, FM GROUP Canada or FM GROUP Branch, as well as other data made public by him/her to FM GROUP World, FM GROUP Canada or FM GROUP Branch. In case of failure to respect the above provision, all the actions made by FM GROUP World, FM GROUP Canada or FM GROUP Branch on the basis of the obtained data and information shall be regarded as performed correctly and being legally effective.

3.2 Principles applicable to the FM GROUP Club Members of a different status

3.2.1. The Member of FM GROUP Club may operate in the FM GROUP Distributors Network as:

- a) a Distributor running economic activities in the scope of direct sale of FM GROUP Products and advertising services of the Network and FM GROUP Trade Mark (a Seller),
- b) a Distributor being a physical entity purchasing FM GROUP Products for his/her own needs and providing advertising services of the Network and FM GROUP Trade Mark (an Advertising agent), who does not run economic activities in this scope,
- c) a Distributor purchasing FM GROUP Products for his/her own needs and not providing any services for FM GROUP Canada, FM GROUP Branch and FM GROUP World (a Recipient),
- d) a Distributor being a physical entity not running economic activities who purchases FM GROUP Products for his/her own needs as well as the needs of his/her relatives and friends, exclusively to advertise and promote FM GROUP Products (a User).

3.2.2. The Member of FM GROUP Club becomes a Seller, in the meaning of the Regulations, by concluding an agreement with respectively FM GROUP Canada or FM GROUP Branch (depending on who he/she has signed the Distribution Agreement with) for the direct sale of FM GROUP Products and providing advertising services of the Network and FM GROUP Trade Mark. The Agreement may be concluded only with a rightful Distributor (it cannot be concluded with a Conditional Distributor), taking into consideration paragraphs 3.2.7. and 3.2.11. below.

3.2.3. The Seller performs his/her activities which consist of the direct sale of the FM GROUP Products and provision of advertising services of the Network and FM GROUP Trade Mark in his/her own name and on his/her own account as the independent entrepreneur. Therefore he/she is obliged to respect on his/her own all the requirements provided for by the legal regulations applicable to the economic activities that he/she runs.

3.2.4. At the end of each Accounting period comprising a calendar month, the Seller issues an invoice or a bill for the provided advertising services of the Network and FM GROUP Trade Mark (the invoice or bill's contents: advertising services of the Network and FM GROUP Trade Mark). The invoice or bill should be paid within 14 days from the day they are issued, under the condition that they are properly delivered to FM GROUP Canada or FM GROUP Branch, respectively, before they become due.

3.2.5. The Member of FM GROUP Club who is not the Seller becomes the Advertising Agent, in the meaning of the Regulations, by concluding the contract of mandate with FM GROUP Canada or FM GROUP Branch for providing advertising services of the Network and FM GROUP Trade Mark. When signing this contract, the Distributor makes a declaration in writing that he/she will not perform direct sales of FM GROUP Products and that the advertising services shall not be provided by him/her in the scope of his/her economic activity. The contract may be made up only with the rightful Distributor (it cannot be concluded with a Conditional Distributor), taking into account paragraphs 3.2.7. and 3.2.11. below.

3.2.6. The Advertising Agent issues the bill for the provided advertising services of the Network and FM GROUP Trade Mark (the bill's contents: advertising services of the Network and FM GROUP Trade Mark). The Commission for the Advertising Agent is paid pursuant to the terms and conditions set in the above Agreement and the Marketing Plan with the restriction that the remuneration reserved for a given calendar year will be calculated and paid not later than January 15th of the next calendar year. The Commission reserved for the Advertising Agent is exclusively in the form of remuneration. The Advertising Agent is not entitled to any discounts.

3.2.7. The Candidate for Membership in the FM GROUP Club, who wants to obtain the status of a Recipient, submits an Application Form to join the FM GROUP Club together with a declaration signed in his/her own hand that he/she shall purchase the FM GROUP Products exclusively for his/her own needs (or for the needs of his/her family) and that he/she shall not run economic activity consisting in the direct sale of the purchased FM GROUP Products and provision of advertising services of the Network and FM GROUP Trade Mark, as well as he/she shall not provide advertising services of the Network and FM GROUP Trade Mark pursuant to the contract of mandate. Should the Recipient conclude any of the agreements, described in paragraphs 3.2.2. and 3.2.5 above or submitting declaration that he/she wants to resign the Recipient's status and wants to obtain the User's status, results in that he/she shall lose the status of the Recipient and will get the status of a Seller or the Advertising Agent, or the User, respectively. The necessary condition to obtain the status of a Seller, an Advertising Agent, or a User is, besides concluding a proper agreement or submitting a

proper declaration, purchasing the Starter Kit.

3.2.8. The Candidate for the Distributor, who wants to obtain the status of the Recipient, is not obliged to purchase a Starter Kit.

3.2.9. The Recipient may purchase FM GROUP Products at the Distributor Price and he/she gets the points for their purchase, described in paragraph 3.1.3. above. However the Recipient's Commission is exclusively in the form of a discount for FM GROUP Products and the discount for a single order cannot exceed 90% of the order value. The claim to obtain the discount for a given order is realized upon request of the Distributor combined together with the order.

3.2.10. The Recipient cannot recommend (sponsor) Candidates for Distributors.

3.2.11. The Candidate for Membership of the FM GROUP Club shall obtain the status of a User by concluding the Distribution Agreement. It means in particular that the Application to join the FM GROUP Club is regarded at the same time as the declaration that the Candidate shall purchase FM GROUP Products for his/her own needs as well as the needs of his/her relatives and friends exclusively for the purpose to advertise and promote the FM GROUP Products and that he/she shall not run economic activity consisting in the direct sale of the purchased FM GROUP Products. Should the User conclude any of the agreements, described in paragraphs 3.2.2. and 3.2.5 above, or make the declaration when signing the Distribution Agreement, described in paragraph 3.2.7. above, results in that he/she shall lose the status of the User and will get the status of the Seller, the Advertising Agent or the User respectively.

3.2.12. The User shall receive points, described in paragraph 3.1.3. above, for the purchased FM GROUP Products. However, the User's Commission is given exclusively in the form of a discount for FM GROUP Products and the discount for the single order cannot exceed 90% of the value of this order. The claim to obtain the discount at a given order is realized upon the demand of the Distributor lodged together with the order.

3.2.13. The Distributor who is a physical entity not running the economic activities of direct sale of FM GROUP Products or providing advertising services of Network and FM GROUP Trade Mark on his/her own account, who purchases the FM GROUP Products from a distance (by means of the Internet, telephone, or fax), may cancel the distribution agreement, return the whole contents of the shipment within 10 days from the day he/she receives the shipment with the ordered FM GROUP Products, Starter Kit or other materials from FM GROUP Canada, under the condition that the Products are returned intact on his/her account. The declaration of the withdrawal should be made in writing and sent to FM GROUP Canada before the 10 day time limit, described in the previous sentence. In case of withdrawal from the Agreement the amount paid by the Distributor, decreased by the shipment costs, shall be reimbursed within 7 days from the day the Products are received by FM GROUP Canada. All the points calculated for the Distributor for the sale of the FM GROUP Products comprised in the withdrawal from the sale agreement, described in this paragraph, shall be deducted from the number of points, described in paragraph 3.1.3. above, collected by the Distributor. These points shall also be deducted from all the remaining members of the FM GROUP Distributor Network for whom the points were calculated as a result of the purchase made by the Member of FM GROUP Club, who withdrew from the sale agreement. The correction of these Distributors' Commission with regard to the withdrawal from the agreement and the return of the products by the Member of FM GROUP Club, shall be made in the calendar month when the withdrawal from the sale agreement took place, under the condition that FM GROUP Canada will get a declaration about the withdrawal from the agreement not later than the last day of the calendar month. If FM GROUP Canada receives the request for the withdrawal from the agreement in the next calendar month, they will make respective correction of the points in the calendar month when the request for the withdrawal was received. If, as a result of the correction of points the Distributor shall have negative points calculated and in case the Distribution Agreement is terminated for whatever reason, the Distributor is obliged to settle the wrongly calculated Commission including in particular the return of obtained undue remuneration or the equivalents of the improperly calculated discounts. The right to withdraw from the agreement, described above, is applicable only to the FM GROUP Products purchased by the Distributor from FM GROUP Canada. In case the FM GROUP Products are purchased from another FM GROUP Branch, the aforementioned right is applicable in cases when it is provided for by the legal regulations of the country where the FM GROUP Branch has its registered office.

4. Measures applicable in case of breach of the obligations of the FM GROUP Club Member

4.1. If the Member of the FM GROUP Club infringes the principles of the Regulations, Marketing Plan or other operation principles binding in the FM GROUP Distribution Network, set by FM GROUP Canada or FM GROUP Branch, respectively, announced and familiar to the Distributors who concluded the Distribution Agreement with FM GROUP Canada or FM GROUP Branch or if the Distributor does not fulfill his/her obligations, FM GROUP Canada or FM GROUP Branch, respectively, are entitled to:

- 4.1.1.** Terminate the legal relations with the Distributor with regard to recommendation (sponsoring) of New Members of the FM GROUP Club. The termination results in deprivation of the rights of the Distributor to recommend (sponsor) new Members to the FM GROUP Club definitely or temporarily, which shall be determined in the termination document;
- 4.1.2.** Terminate temporarily (suspend) legal relations with the Distributor for the period not longer than 6 months. The termination results, in particular, in the deprivation of the suspended Distributor of the possibility to purchase

FM GROUP Products from FM GROUP Canada or FM GROUP Branch which are sold to the Members of the FM GROUP Club, and the suspension of advertising services of the Network and FM GROUP Trade Mark provided for FM GROUP Canada or FM GROUP Branch (pursuant to the agreement concerning direct sales and provision of advertising services or a Contract of mandate the subject of which is provision of advertising services of the Network and FM GROUP Trade Mark) therefore the suspended Distributor will not be entitled to the Commission while he/she is suspended,

4.1.3. Terminate the Distribution Agreement and other agreements binding a given Distributor with respectively FM GROUP Canada or FM GROUP Branch without notice and remove the Member of the FM GROUP Club from the Distributors' Database.

4.2. The rights described in paragraph 4.1. above may also be executed with regard to the Member of the FM GROUP Club who:

- 4.2.1.** takes actions leading to persuading the Distributor to terminate the agreement binding him/her with FM GROUP Canada or FM GROUP Branch in order to take over Distributors operating in another Group of Members of the FM GROUP Club to his/her own Group of Members of the FM GROUP Club or actions resulting in the takeover of the Members,
- 4.2.2.** takes actions leading to persuading the Distributor to terminate the agreement with FM GROUP Canada or FM GROUP Branch, respectively in order to transfer the whole Group of Members of the FM GROUP Club, of another Distributor to his/her own Group of Members of the FM GROUP Club or actions leading to the transfer.

5. Membership termination in the FM GROUP Club

5.1. Any member of the FM GROUP Club may terminate the Distribution Agreement at any time with a one (1) week notice by sending a written notice to the address of FM GROUP Canada or FM GROUP Branch, respectively to take effect at the end of the calendar month.

5.2. FM GROUP Canada or FM GROUP Branch respectively, may dissolve the Distribution Agreement with the Member of the FM GROUP Club for essential reasons with a one (1) week notice with the effect at the end of the calendar month. Essential reasons mean significant change of factual or legal circumstances. In case when the other Party of the Distribution Agreement is an entrepreneur pursuant to the legal provision, indication of essential reason referred to above, is not required.

5.3. Distribution Agreement may be dissolved pursuant to mutual agreement between the parties with the effect to take place at the end of the calendar month.

5.4. Any Member of the FM GROUP Club, who concluded the Distribution Agreement with FM GROUP Canada, may withdraw from the Distribution Agreement at any time with the immediate effect by submitting in writing a request of withdrawal to the address of FM GROUP Canada; within 14 days from the date of submitting the request for withdrawal from the Agreement, the withdrawing party may conclude an agreement about the resale of the FM GROUP Product and Starter Kits as well as all informational, training and advertising materials, samples, souvenirs and promotional sets, that he/she has purchased in the period of 90 days preceding the withdrawal from the Distributor Agreement, to FM GROUP Canada for 90% of the purchase price (the price actually paid by the Distributor) under the condition that they are in the state which makes it possible to resell them. The withdrawing party shall also return the Commissions that he/she has received with regard to the purchase of the Products he/she returns to FM GROUP Canada as result of the withdrawal. At the same time the Commissions or points obtained by the members of the FM GROUP Distributor Network shall be respectively corrected according to the purchase of the Products connected with the withdrawal of the Distributor. The right to withdraw from the Distribution Agreement and conclude a resale agreement, described above, is applicable only for the FM GROUP Products purchased by the Distributor from FM GROUP Canada. In case the Distribution Agreement is concluded with FM GROUP Branch, the right described above, is applicable in the case when it is provided for by the legal regulations binding in the country of the registered office of the FM GROUP Branch and in the scope provided for by these regulations.

5.5. In case the Distributor withdraws his/her consent to the processing of his/her personal data, the Distribution agreement expires on the day FM GROUP Canada or FM GROUP Branch, respectively receives a written request for the withdrawal from the Distributor.

5.6. The Distribution Agreement expires also with regard to the partner of a partnership or civil company, where all partners submitted an application to grant them one Distributor Number when he/she loses the status of the partner of this partnership or civil company.

5.7. The Distribution Agreement expires automatically with the death of the Distributor who was a physical entity or in case of the legal entity – with the removal from the registry.

5.8. Termination of the Distribution Agreement automatically results in the dissolution of other agreements concluded between the Member of the FM GROUP Club as one of the party of the agreement and FM GROUP Canada or FM GROUP Branch, respectively as the other party of the agreement.

5.9. An entity, who ceased to be a Member of the FM GROUP Club as a result of the termination of the Distribution Agreement, including the dissolution either by the notice to terminate or upon mutual agreement of the parties as well as withdrawal of the consent to processing of personal data or by the notice to terminate the agreement and removal of the Member from the FM GROUP Club and from the Distributor's Database due to the breach of the provisions from these Regulations, Marketing Plan or other operation principles binding in the FM GROUP Distributor's Network, may rejoin the FM GROUP Club or conclude an agreement

to take over the rights and obligations of the Member of the FM GROUP Club, only 6 months after the day the entity terminated to be the member with the restriction of points 5.10 below.

5.10. In special circumstances FM GROUP Canada or FM GROUP Branch, respectively may conclude the Distribution Agreement with an entity with whom such an Agreement terminated before period of 6 months, described above.

5.11. In case the Distribution Agreement terminates, the remuneration reserved for the Distributor for whom the Agreement terminated, shall be paid for the period until the termination date. The Distributor is obliged to settle all Commissions he/she may have obtained, which he/she is not entitled to, with FM GROUP Canada or FM GROUP Branch, respectively. In this situation FM GROUP Canada or FM GROUP Branch reserves the right to set off all their claims with regard to the Distributor with the claims with regard to FM GROUP Canada or FM GROUP Branch up to the lower claim.

5.12. Leadership over the Distributor's Group, created by the Member of the FM GROUP Club which ceased to be a Member of the FM GROUP Club as a result of the Distribution Agreement termination (also as a result of his/her death or discontinuation of the activities by other partners pursuant to paragraph 2.10.a) above, or of his/her liquidation) is transferred to the Sponsor directly closest to the Distributor, whose membership is terminated. In this case the Sponsor is entitled and obliged to run the activities using the Distributor Number of the FM GROUP Club Member whose membership terminated, unless the Distributor, with whom the agreement terminated, did not reach the effectiveness level - set in the Marketing Plan - of at least 12% (twelve percent) in any 6 month periods preceding the termination of the Distribution Agreement. In the latter case, the sponsor is not entitled to run the activities making use of the Distributor's Number of the Member of the FM GROUP Club, whose membership terminated. The sponsor is also not entitled to use the Distributor's Number of the Conditional Member of the FM GROUP Club, whose membership terminated as a result of failure to submit documents, described in paragraph 2.4. above, in the due time and in consequence failure to conclude the Distribution Agreement.

5.13. However, in case of the agreement concerning the transfer of the rights and obligations of the Member of the FM GROUP Club, the management over the Distributors' Group, created by the withdrawing Distributor is transferred to the joining member pursuant to the agreement concerning the transfer of the rights and obligations of the Member of the FM GROUP Club, who operates as a Distributor using the Distributor Number of the withdrawing Member of the FM GROUP Club.

5.14. In case the franchise agreement binding FM GROUP World with FM GROUP Canada or FM GROUP Branch respectively, terminates, in particular as a result of the liquidation of the FM GROUP Branch, the Distributor, who concluded the Distribution Agreement with this Branch, may conclude the Distribution Agreement with another FM GROUP Branch within 7 days from the day he/she learned about the termination of the franchise agreement but not later than one month after the franchise agreement terminated. To respect the aforementioned time limit, the Distributor should submit an Application for conclusion of the Distribution Agreement signed by his/her own hand to a chosen FM GROUP Branch, unless the circumstances described in paragraph 2.6. above occur and as a result FM GROUP Branch or FM GROUP World refuse to conclude the Agreement with this Distributor. In case the aforementioned time limit is respected and the agreement is made, the Member of the FM GROUP Club retains his/her previous Distributor Number, otherwise the membership in the FM GROUP Club is terminated. The FM GROUP Branch, with which the Distributor concluded a new Distribution Agreement retaining his/her previous Distributor Number, is responsible for the obligations of the previous Agreement party of such Distributor only when both Branches agree on the takeover of the obligations. The provision of the paragraph 5.9. above, are not applicable in cases described in this paragraph.

6. Final provisions

6.1. The present Regulations coordinate legal relations between FM GROUP Canada and the Distributor who is linked with FM GROUP Canada by a Distribution Agreement. The provisions of Regulations of other FM GROUP Branches may coordinate in a different way, some issues regulated by provisions of the present Regulations, because of the differences in provisions binding in different countries.

6.2. In cases not provided for by these Regulations, the provisions of legal regulations binding in Canada shall be applicable.

6.3. Should any provision of these Regulations be held invalid or unenforceable, any of the remaining provisions are valid and remain in force. It is assumed that the invalid or unenforceable provision shall be replaced by a valid and effective provision, the effect of which is the most similar to the intended effect of the invalid or unenforceable provision.

6.4. FM GROUP Canada may change the Regulations due to essential reasons and each Distributor of FM GROUP Canada shall be notified in writing about it. Essential reasons include in particular the necessity to adapt the Regulation's provisions to the binding legal regulations, significant change of factual or legal circumstances.

6.5. The Distributor shall have the right to refuse the acceptance of the proposed change of Regulations within 14 days from the day he/she receives the notification about this change. Failure to submit the declaration in writing refusing the acceptance within the above mentioned time limit shall be regarded as the acceptance of the proposed change. The refusal to accept the proposed change of the Regulations submitted in the aforementioned time limit shall result in the termination the Distribution Agreement pursuant to paragraph 5.1. of the Regulations.