

2. Rules of Conduct

These Rules of Conduct define the rights, duties and responsibilities of an Amway Distributor. While the Rules primarily govern relationships between Amway and Distributors, they also are applicable to the relationships among Distributors. The Rules are designed to promote harmony among Distributors and to preserve the benefits available to all Distributors under the Amway Sales and Marketing Plan. The intent of the Rules is neither to suppress transactions nor to place unreasonable restrictions on the freedom of commercial activities, but to enable all Distributors selling Amway products the ability to enjoy the Amway Business Opportunity.

1. INTERPRETATION

1.1 These Rules set out the terms and conditions of your contract with Amway. Unless the context otherwise requires, the following words and phrases shall have the meanings set out below:

- 1.1.1 "Amway" means Amway Corporation, Amway Taiwan Company Limited or the term itself (including Chinese and other languages) except where the context otherwise requires. "Amway Taiwan" means Amway Taiwan Company Limited.
- 1.1.2 "Amway Corporation" means the Amway Corporation of 7575 East Fulton Road, Ada, Michigan, USA.
- 1.1.3 "Amway Sales & Marketing Plan" means the Amway bonus system, rewards and awards, Sponsoring procedures and Amway's guidelines, requirements, systems, procedures and policies regarding Distributors' presentation of Amway products and the Amway business and the operation of an Amway Distributorship, as set out in the Amway Business Manual as may be amended from time to time by Amway Taiwan in accordance with actual needs.
- 1.1.4 "Distributor" means a contractor authorized by Amway Taiwan for the sale of Amway products and Amway-distributed products and for the Sponsorship of applications for appointment as Amway Distributors. The

term includes an Amway Direct Distributor, a Sponsor, and his/her successors and assignees.

- 1.1.5 "Direct Distributor" means a Distributor who has been recognized by Amway Taiwan as such pursuant to the Amway Sales & Marketing Plan.
- 1.1.6 "Line of Sponsorship" in the case of any one Distributor means the Sponsorship chain formed by the Distributor, his/her Sponsor, and the Sponsor's Sponsor, and so forth, up to and including Amway Taiwan.
- 1.1.7 "Personal Group" in respect of any one Distributor means the Distributor in question, all Distributors personally sponsored by him/her, all Distributors personally sponsored by such personally-sponsored Distributors, and so forth downline from the Distributor in question, to and including those Distributors who have not themselves sponsored other Distributors, but the term does not include any Direct Distributors downline from the Distributor in question nor any 21% Distributors downline from any such Direct Distributors.
- 1.1.8 "Sponsor" means a Distributor who introduces to Amway Taiwan an applicant for appointment as a Distributor, who in turn becomes a Distributor by virtue of Amway's acceptance of his/her Distributor Application.
- 1.1.9 The concept of "Sponsorship" is that explained in the Amway Sales & Marketing Plan. "Distributorship" means the qualification, position and rights of a Distributor.
- 1.1.10 "Amway Products" means products, business support materials or services manufactured, supplied or provided by or on behalf of Amway Corporation or Amway Taiwan and which are made available by Amway to Distributors for sale or use in accordance with the Rules.
- 1.1.11 "Rules" or "Rules of Conduct" means these Rules of Conduct for Distributors, as may from time to time be altered or amended by Amway Taiwan.

1.1.12 All terms used in these Rules, which are defined or explained in the Amway Sales & Marketing Plan, shall have the same meaning as they have in the Amway Sales & Marketing Plan. Without limiting the generality thereof, such terms include "Business Volume" (or "BV"), "Diamond Direct Distributor" (or "Diamond"), "Emerald Direct Distributor", "Foster Sponsor", "Internationally Sponsored Distributor", "Pearl Direct Distributor", "Performance Bonus", "Point Value" (or "PV"), "Ruby Direct Distributor", "Gold Producer", "Silver Producer" and "21% Sponsor".

1.2 The Amway Sales & Marketing Plan shall be deemed to form part of these Rules.

2. AUTHORIZATION AS A DISTRIBUTOR

- 2.1 To become a Distributor of Amway Products, a person must be sponsored by a currently authorized Distributor and must request authorization to distribute Amway Products from Amway by completing an "Application for Amway Distributor Authorization" (SA88TW). If the applicant is not a citizen of the Republic of China, he/she shall present copies of his/her passport and R.O.C. Resident Certificate, or relevant documentations of established corporation or business entity, and shall sign "NON-R.O.C. Citizen Distributor Agreement & Proxy - Taiwan" upon application.
- 2.2 The "Application for Amway Distributor Authorization" (SA88TW) in the Amway Starter Kit must be sent to Amway Taiwan immediately after completion.
- 2.3 The opportunity to become a Distributor is available to all persons regardless of their sex, race, nationality, and political or religious beliefs.
- 2.4 Amway Taiwan reserves the right in its sole and absolute discretion to accept or reject any application for appointment as a Distributor, without having to assign any reason for its acceptance or rejection.
- 2.5 The authorization of a Distributor will be effective only if and when the prospective Distributor receives from Amway Taiwan his/

her Amway identification number (also known as Amway Distributor Authorization No.) and Amway Distributor Card.

2.6 The only purchase requirement imposed on a prospective Distributor is the purchase of an unaltered and complete Amway Starter Kit. No prospective or existing Distributor will be required, and no existing Distributor may require new or prospective Distributors to do the following for any reason:

2.6.1 Purchase any specified amount of products or Business Support Materials.

2.6.2 Maintain a specified minimum inventory or Business Support Materials.

2.6.3 Purchase any non-Amway produced products or services.

2.6.4 Purchase tickets to attend rallies, seminars, or other meetings.

2.6.5 Sponsor a specific number of new Distributors.

2.6.6 Subscribe to any non-Amway produced business promotion items and/or programs.

2.7 A Distributor's authorization will expire at the end of the 13th calendar month period counting from and including the month of first authorization. A Distributor shall renew the authorization annually to maintain his/her Distributorship before the end of the expiry month; otherwise, the authorization will lapse at midnight of the last day of the expiration month.

2.8 A Distributor may apply to renew his/her authorization by sending to Amway Taiwan a completed Notice of Intent to Continue Form and the current renewal fee prior to the expiration of authorization then current.

2.9 A former Distributor may apply for authorization as a new Distributor, provided that the provisions in Rule 4.9.1~ 4.9.5 and 4.12 are adhered to.

2.10 If a Distributor fails to file a completed Notice of Intent to Continue Form together with the current renewal fee by the due date, or if Amway does not accept an application for renewal, his/her authorization shall expire automatically in accordance with Rule 2.7.

- 2.11 A Distributor may rescind or terminate his/her Distributorship at any time by giving written notice to his/her Sponsor, Direct Distributor and Amway Taiwan and return Amway products according to the Return policy.
- 2.12 Amway Taiwan reserves the right to reject any renewal application.
- 2.13 Distributorship may be granted to individuals, companies or unincorporated businesses.
- 2.14 A husband and wife shall be deemed to be a partnership holding one Distributorship. If two Distributors marry and neither is a Direct Distributor, one Distributorship must be terminated within 30 days after the marriage. If either of the Distributors is a Direct Distributor, each Distributorship may continue to be operated separately in its original Line of Sponsorship.
- 2.15 Companies, unincorporated businesses, or partnerships may become Distributors. In the case of a company, the Distributorship is only granted to the responsible person or jointly with any one shareholder of that company. In the case of a partnership or an unincorporated business, the Distributorship will only be granted to the responsible person of that partnership or unincorporated business or jointly with any individual partner. A Distributorship will not be granted to any company, business, or partnership.
- 2.16 Without limiting the generality of Amway's discretions pursuant to Rule 2.12, to become a Distributor or to renew his/her authorization as a Distributor an applicant:
- 2.16.1 Must be at least 20 years of age. The applicant shall obtain the prior written consent of his/her statutory agent and attach the consent with his/her "Application for Amway Distributor Authorization" (SA88TW), if he/she reaches eighteen years of age but does not reach twenty years of age; and must reach twenty years of age to become a Sponsor of other Distributors.
- 2.16.2 must not be incapable of managing his/her affairs by reason of mental or other condition;
- 2.16.3 must not be a bankrupt or a party to any arrangement or composition with his/her creditors or any of them or own any property or assets the subject of receivership or official management.
- 2.16.4 must not be suspended or disbarred from practicing his/her usual trade or profession by any trade or professional association, institute or society.
- 2.16.5 must not be in prison or confined to any other corrective institution.
- 2.17 A Distributor may own or have an ownership interest in only one Distributorship except as provided below:
- 2.17.1 where two Distributors marry and one or both have attained Direct Distributor qualification or above prior to marriage pursuant to Rule 2.14.
- 2.17.2 where an existing Distributorship purchases another Distributorship pursuant to the provisions regarding sale of Distributorship in Rule 5.
- 2.17.3 where a Distributor (transferor), in order to facilitate the transfer of a Distributorship in the event of his/her or her death, requests the name of another existing Distributor be added to their Distributorship. The name of the transferor(s) must continue to be on the Distributorship until his or her death and supporting estate planning documentation must be provided to Amway.
- 2.17.4 where an existing Distributorship inherits all or a portion of a Distributorship. In the event a Distributor owns or has an ownership interest in two or more Distributorships pursuant to Rule 2.15, he/she may operate such Distributorships jointly under a single corporation, unincorporated business or partnership umbrella, but Amway Taiwan shall continue to carry such Distributorships and will only recognize them as separate, individual Distributorships for both award and bonus purposes.

3. RESPONSIBILITIES OF DISTRIBUTORS

- 3.1 Distributors will at all times fully and promptly comply with the Rules of Conduct, the Amway Sales & Marketing Plan, and all other guidelines, requirements, systems, procedures, measures and amendments thereof set out in the Amway Business Manual and the Amway Policies and Regulations. Amway Taiwan may in its discretion alter or amend the Amway Business Manual and the Amway Policies and Regulations at any time deemed necessary and the amendments will be announced in the AMAGRAM magazine or via any other means of communication.
- 3.2 A Distributor must order directly from Amway Taiwan or his/her Sponsor or his/her upline Distributor up to his/her Direct Distributor at the current Distributor price of all Amway products and business support materials. Direct Distributors must order directly from Amway Taiwan. For the purpose of maintaining the integrity of the Line of Sponsorship and Sponsor's interests for each Distributor, a Distributor shall not conduct cross-group ordering or supplying products to other Distributors. A Distributor shall not place order in the name of his/her downline Distributor for tax planning or other purposes.
- 3.3 For the purposes of maintaining the direct selling principle of Amway products and of ensuring consumers' full understanding of the accurate use of Amway products, Distributors shall not:
 - 3.3.1 supply or display Amway products or business support materials or Amway-distributed products in retail locations, such as shops, markets, internet, including fairs and other similar events;
 - 3.3.2 supply Amway products or business support materials or Amway-distributed products to persons who wish to acquire such items for the purpose of resale.
- 3.4 Distributors shall deliver to each customer at the time of sale a properly completed "Customer Delivery Record" (SA0107TW), including the customer's full name, address, telephone number, products purchased, purchase price and date plus the Distributor's name, address, and telephone number.
- 3.5 Distributors shall be prohibited from and shall be liable for, and shall compensate Amway Taiwan the damages and incurred costs arising from the following:
 - 3.5.1 Make any exaggerated or unwarranted claims about Amway products or Amway-distributed products;
 - 3.5.2 In any way misrepresent the price, standard, quality, grade, composition, style or model, place of origin, or availability of Amway products or Amway-distributed products.
 - 3.5.3 Represent that Amway products or Amway-distributed products have Sponsorship, approval, performance characteristics, accessories, uses or benefits they do not have;
 - 3.5.4 In any way act so as to represent Amway or its products or Amway-distributed products in a false or misleading manner;
 - 3.5.5 Promote any non-Amway products or services as Amway products or services.
- 3.6 A Distributor shall explain the directions for use and caution specified on product labels during the demonstration of those products.
- 3.7 Distributors will immediately communicate all significant consumer complaints to Amway Taiwan and furnish copies of all correspondence and details of all conversations relating thereto.
- 3.8 Whenever a customer requests that the Satisfaction Guarantee be honored, the Distributor shall inquire as to the circumstances giving rise to the request and offer that customer to choose a full refund of the purchase price, exchange for a like product, or full credit for exchange with another item.
- 3.9 Distributors are not authorized to make any offer of settlement or to otherwise bind Amway Taiwan in connection with claims arising from the use or misuse of Amway products other

than in accordance with the terms of the Amway Satisfaction Guarantee.

- 3.10 Distributors shall comply with all laws, regulations and codes of practice (including Fair Trade Law, Supervisory Regulations Governing Multi-level Sales and Consumer Protection Law) applying to the operation of their Distributorships in Taiwan and shall not engage in any fraudulent or illegal transaction, or participate in any activity which may harm their or Amway's reputation.
- 3.11 No Distributor shall do any of the following acts. Otherwise he/she shall compensate Amway Taiwan in respect of any cost or damages arising from any such misrepresentation:
- 3.11.1 Represent or hold himself/herself out in any way as an employee or a partner of Amway Taiwan.
- 3.11.2 Represent or hold himself/herself out in any way as a business agent, commercial agent, sales representative, broker, assignee, mandatory or manager or other agent of Amway Taiwan.
- 3.12 A Distributor may sell merchandise or services other than Amway products or business support materials, however, except otherwise pre-approved by Amway Taiwan in writing, he/she must not sell, promote, or introduce such merchandise or service to any Distributors whom he/she does not personally sponsor, nor may he/she solicit any Amway Distributors whom he/she does not personally sponsor to sell, promote, or introduce such merchandise or services. In the event a Distributor's spouse has not been registered as a Distributor under the same distributorship, the aforementioned prohibited acts made by the spouse shall be deemed as those by the Distributor. The term "solicit" shall mean persuading or attempting to persuade another Distributor by whatever means and whether or not for gain, benefit or any other consideration, to sell or attempt to sell such products, business support materials or services.

If such products or services have been widely circulated in the Distributor's or other Lines of Sponsorship, such circulation shall be deemed

as a violation of the rule in the previous paragraph regarding the sales, promotion, or introduction to any Amway Distributors whom he/she does not personally sponsor.

- 3.13 As means for Amway Taiwan to manage its products, and to ensure its compliance to local laws and regulations governing product labeling, commercial product inspection, trademark, and safety/sanitation issues, no Distributor may import or sell Amway products which are not from Amway Taiwan nor may any Distributor export or knowingly sell to others who export Amway products from Amway Taiwan.
- 3.14 The meetings or activities of Distributors shall be exclusively for the purposes of promoting or selling Amway Products but not for the purposes of making profits or attaining other goals other than from the Amway Sales and Marketing Plan.

4. SPONSORSHIP

- 4.1 A Distributor has the right to sponsor others to become Distributors, but he/she shall do the following:
- 4.1.1 When sponsoring another to become an Amway Distributor, a Distributor shall honestly explain the Amway Business Manual, and provide the following information before requesting the prospective Distributor to sign the "Application for Amway Distributor Authorization" (SA88TW) without any false or misleading representation:
- (a) Capital of Amway Taiwan (NT\$250 million);
 - (b) Amway Sales & Marketing Plan;
 - (c) Rules of Conduct;
 - (d) Distributor's obligations and responsibilities;
 - (e) Awards and Bonuses;
 - (f) The variety, price, feature, quality and use of Amway products;
 - (g) Amway Satisfaction Guarantee;
 - (h) Distributor's resignation and Product Return policy;

- (l) Other matters as may be designated by the Fair Trade Commission.
- 4.1.2 Regularly train and motivate his/her personally-sponsored Distributors in accordance with the guidelines and requirements set out in the Amway Business Manual, Amagram, or otherwise as required or directed by Amway from time to time;
- 4.1.3 Maintain adequate stocks of products and business support materials for the Distributors in his/her Personal Group or alternatively, ensure that each such Distributor understands the relevant Amway procedures to enable such Distributor to order adequate stocks of Amway products and business support materials directly from an Amway Taiwan.
- 4.1.4 (Deleted)
- 4.1.5 When his/her personally-sponsored Distributors resign their Distributorships, assist the resigning Distributors to handle the return of products.
- 4.1.6 Use his/her best endeavors to supervise and to ensure that each of his/her personally-sponsored Distributors fully and promptly complies with all of his/her obligations expressed or implied in these Rules and the procedures specified in Rule 3.1.
- 4.1.7 Encourage his/her personally-sponsored Distributors to attend Amway meetings and other Amway activities.
- 4.1.8 Encourage his/her personally-sponsored Distributors to study and use the official Amway publications, and prudently manage their Distributorships according to the information in such official publications.
- 4.2 If a Sponsor fails to comply with Rule 4.1, he/she may make arrangements with his/her Direct Distributor to act in his/her stead. A Sponsor who does not meet his/her responsibilities personally or by alternative methods once upon the upline Direct Distributor notifies Amway Taiwan, will be ceased to be a qualified Sponsor and the Sponsorship of the Sponsor shall pass to the first upline Distributor in his/her Line of Sponsorship.
- 4.3 A Direct Distributor, other than complying with Rule 4.1, shall:
- 4.3.1 Conduct periodic meetings to train and motivate the Distributors who are in his/her Personal Group; if the Distributors within his/her Personal Group are residing in different regions, he/she shall assist local Distributors to hold such meetings or to participate other activities.
- 4.3.2 Convey important messages announced by Amway Taiwan to all Distributors in his/her Personal Group, including the time, venue of meeting, product information, retail training and other matters necessary to assist such Distributors;
- 4.3.3 (Deleted)
- 4.4 To qualify for a Performance Bonus on the products obtained by him/her during a given month, a Distributor must make sales to ten different retail customers each month.
- 4.5 A Distributor must sell at least 70% of the total products he/she ordered in a given month to his/her sponsored Distributors and retail customers in order to enjoy the following benefits:
- 4.5.1 Receive a Performance Bonus for that month calculated on all products ordered, and
- 4.5.2 Qualify and be recognized as a Silver Producer or Direct Distributor by Amway Taiwan.
- 4.6 No Distributor shall manipulate the Amway Sales and Marketing Plan or manipulate sales volume in any way which results in the payment of bonuses or other awards and recognition, or otherwise.
- 4.6.1 "Stacking" is an unacceptable business building practice. It is defined as the practice of an upline Distributor placing new Distributors in depth, regardless of whether there are relationships between those who are sponsored and those who sponsor.

The strategic and artificial structuring of an Amway organization for the purpose of depth building by using the concept of "stacking" is considered to be manipulation and an unacceptable business practice. Stacking is a violation of these Rules. Amway in its sole discretion will determine what constitutes manipulation and/or stacking.

- 4.7 If a Distributor fails to comply with Rule 4.5, his/her Sponsor will pay him a Performance Bonus calculated on the value of products actually supplied to customers and/or delivered to his/her downline Distributors, instead of the value of products ordered.
- 4.8 In order to avoid adverse impact on the harmonic development of the Line of Sponsorship and damages on the Sponsorship rights of his/her upline Distributors, a Distributor shall in no circumstances directly or



indirectly and whether on his/her own behalf or in conjunction with or by way of assisting any other person, solicit, interfere with or endeavor to entice another Distributor to break away from his/her Line of Sponsorship or to change his/her Line of Sponsorship.

4.9.1 A former Distributor (spouse included) who voluntarily terminate (by resignation or failure to renew) his/her Distributorship under his/her present Sponsor needs to be inactive for a period of six or more consecutive months before he/she can reapply to become a new Distributor under a new Sponsor. The Former Distributors may not apply to become active in an already existing Distributorship during the six-month inactive period.

- (a) To apply for a new Distributorship under this inactivity rule, the Distributor must complete a new "Application for Amway Distributor Authorization" (SA88TW). The application should then be sent to Amway Taiwan accompanied by a written statement of inactivity. When Amway receives the application accompanied by the written statement of inactivity, it notifies the Direct Distributor in the original Line of Sponsorship and grants him/her 15 days to file an objection to the inactivity claim. If evidence of activity during the six-month period is provided, Amway will refuse to honor the application and will return it to the applicant. If the Direct Distributor does not reply within 15 days, or if he/she verifies that the Distributor has in fact been inactive for six months, then the new application will be accepted and processed. The right of a Distributor to contest the Sponsorship of a former Distributor who is now sponsored under a different Sponsor ceases when two years have elapsed since the date Amway accepted the application.

- (b) "Inactivity" for purposes of this Rule shall mean that during the period of inactivity, the Distributor shall have been completely inactive, which means that he/she has not purchased Amway products as a Distributor for personal use (although he/she may do so as a consumer), has not sold any Amway products except pursuant to the "buy-back" policy, has not engaged in any phase of a product sale/purchase (e.g., taking an order, making a delivery, or accepting a payment), has not presented the Amway Sales and Marketing Plan to any prospective Distributors, has not renewed his/her Distributorship, and has not attended any recruiting, training, or motivational meeting conducted by any Amway Distributor or any Amway company-sponsored meetings. During the inactive period, the former Distributor must not participate in any Amway activity under another Distributorship in the name of his/her parents, sibling, or others; otherwise he/she shall not be determined as "inactive" for the purposes of this Rule.
- 4.9.2 A Distributor who transfers to, or who, following six months of inactivity, applies for Distributorship under a different Sponsor pursuant to the provisions of this Rule, may not be sponsored by anyone who was previously above him/her in his/her original Line of Sponsorship up to and including the first qualified Direct Distributor, or below him/her in his/her original Personal Group down to and including the first Direct Distributor and who has since been transferred to or re-sponsored by a different Sponsor, unless two years have elapsed since the termination of his/her Distributorship. A Distributor who transfers to, or who, following six months of inactivity, applies for Sponsorship under a different Sponsor pursuant to the provisions of this Rule, shall have no right to sponsor in his/her new Personal Group any Distributor who was previously above him/her in his/her original Line of Sponsorship up to and including the first qualified Direct Distributor, or below him/her in his/her original Personal Group down to and including the first qualified Direct Distributor. However, a Distributor who has been inactive for a period of two years may be sponsored by any Sponsor, including his/her former Sponsor who may have since been transferred to or re-sponsored by a different Sponsor.
- 4.9.3 A Distributor's continuing business activity in one country will not affect his/her eligibility to reapply after six months of inactivity as a Distributor in any other country in which Amway does business.
- 4.9.4 A formerly internationally sponsored Distributor may reapply for a Distributorship in any Line of Sponsorship pursuant to Rule 4.9.1, 4.9.2 and 4.9.3 and subject to the following conditions:
- (a) At the time of application, the former Distributor must specify whether or not he/she wishes to be internationally and foster sponsored again, and
- (b) A former Distributor may not be personally sponsored by a Sponsor who was previously above him in his/her original Line of foster Sponsorship up to and including the first qualified Direct Distributor, or below him/her in his/her original Personal Group down to and including the first qualified Direct Distributor unless two or more years have elapsed since the termination of his/her Distributorship.

- 4.9.5 If any of the provisions of Rule 4.9.1, 4.9.2, 4.9.3 and 4.9.4 is violated, Amway may take corrective actions, which may include but is not limited to transfer the Distributorship of the Distributor at fault and his/her Personal Group and the Business Volume generated during the period of violation to the original Line of Sponsorship.
- 4.10 Transfer of Distributors from one Sponsor to another are only granted at the sole discretion of Amway Taiwan.
- 4.11 Without limiting or restricting in any way Amway's powers and discretion under the above:
Any Distributor (including a Direct Distributor) who wants to change Sponsor must submit a written request to Amway Taiwan accompanied by (1) a written release signed by all the Distributors in his/her Line of Sponsorship up to and including the first qualified Direct Distributor, and (2) a written acceptance from the new Sponsor and Direct Distributor. Amway will also contact any international Sponsor and international leadership bonus recipients and will allow 30 days for comment.
- 4.12 Without limiting or restricting in any way Amway's powers and discretion under the above:
- 4.12.1 A Distributor who wishes to transfer to a different Sponsor with all or part of his/her Personal Group must submit a written request to Amway Taiwan accompanied by a written consent from all Distributors in his/her Line of Sponsorship up to and including the first qualified Direct Distributor and all Direct Distributors up to and including the first qualified Emerald Direct Distributor. If the first qualified Direct Distributor is a qualified Emerald Direct Distributor, written consent must be received from the next qualified upline Direct Distributor in the Emerald Direct Distributor's Line of Sponsorship as there could be an effect on Pearl Bonus. Amway Taiwan will then notify the first qualified upline Diamond Direct Distributor and allow fifteen days for comment.

4.12.2 The transfer request must accompany by a written consent of all those Distributors who want to follow their Sponsor, as well as a written acceptance of the transfer, signed by the new Sponsor and Direct Distributor to whom the requester wants to be transferred. Amway will also contact any international Sponsor and international leadership bonus recipients and will allow 30 days for comment.

4.12.3 No Distributorship currently recognized by Amway as a group leader (i.e., Silver Producers, Gold Producers, or a Direct Distributor, etc.) can be transferred under this Rule. A former Direct Distributor or Group Leader may be transferred if more than two (2) full years have elapsed since the last fiscal year in which the Distributorship was recognized as such, provided there has been compliance with the procedures outlined above.

5. SALE OF DISTRIBUTORSHIPS

- 5.1 A Distributorship may be assigned by sale or transferred by will, provided that the assignee or beneficiary is or applies to become a Distributor in accordance with the Rules and in particular Rule 2.1, 2.4, 2.5 and 2.11.
- 5.2 Before selling or transferring by will a Distributorship, the relevant terms and conditions (except price) and the information of proposed assignee or transferee must be submitted in writing to Amway Taiwan for approval. Amway Taiwan may refuse such approval if it considers, in its absolute discretion, that the proposed sale or transfer does or will result in a breach of the Rules.
- 5.3 A Distributors who owns and operates a Distributorship (whether or not qualified as a Direct Distributorship) may sell his/her ownership interest in such Distributorship.
- 5.3.1 Before selling a Distributorship of the Amway business, the terms and conditions (except the price) must be

submitted in written to Amway Taiwan for approval.

- 5.3.2 A Distributor's business can only be sold to another Distributor. The purchased business shall remain separate from the buyer's other Amway business and the Line of Sponsorship shall not be altered in any way as a result of the sale.
- 5.3.3 If a Distributor wishes to sell his/her Amway business, he/she must offer it to another Distributor in the following order of priority:
- (a) If the business is internationally sponsored, it must be offered to the International Sponsor, who throughout the negotiations to sell the Distributorship retains the right to acquire same by matching the price and conditions of any bona fide offer received by and deemed acceptable to the seller.
 - (b) If the International Sponsor does not accept the offer of purchase, the business must be offered to the local Foster Sponsor of the Distributor.
 - (c) If no International Sponsor exists, the business must be offered to the local Sponsor, who throughout the negotiations to sell the Distributorship retains the right to acquire same by matching the price and conditions of any bona fide offer received by and deemed acceptable to the seller.
 - (d) In the case where the local Sponsor does not accept the offer, the business must be offered simultaneously for sale to all Distributors personally sponsored by the owner.
 - (e) In the case where none of the Distributors personally sponsored by the Distributor accept the offer, the business must be offered simultaneously to all Direct Distributors located above or below in the Line of Sponsorship.

- (f) If the Direct Distributors above or below in the Line of Sponsorship of the Distributor concerned also reject the purchase offer, or fail to respond to the offer, the Distributor may offer the business to all qualified Emerald Direct Distributors at that time in Taiwan.

5.3.4 No sale shall be final and no change of title of the business shall be made final until approved in writing by Amway Taiwan.

5.3.5 If the Distributor wishes to sell the business under terms and conditions different from those of his/her first offer, the business must be once again offered for sale under the revised terms and conditions in accordance with the order of Rule 5.3 indicated above. (Note: change of price may be presented during the negotiation)

5.3.6 Monthly Performance Bonuses accruing to the business after the date of sale will be paid to the new owners. Annual Bonuses (such as Emerald and Diamond Bonuses) shall be paid as specified in the Sales Agreement as authorized by Amway Taiwan. All awards previously awarded to the business will not be transferred to the new owners. Qualification for awards for the business will be determined only by sales achievement occurring after the date of sale.

5.4 A selling Distributor shall sell his/her Distributorship to the first Distributor to accept an offer made in accordance with Rule 5.3.

5.5 Distributorships shall not be merged or combined without the prior written approval of Amway Taiwan, which may be given or withheld in Amway's absolute discretion. Amway Taiwan may attach conditions on the approval of merger or combination of Distributorships.

5.6 In the event that a Distributor acquires another Distributorship, the Distributor shall not transfer Business Volumes between the businesses operated by him/her other than strictly in

accordance with the Amway Sales & Marketing Plan.

- 5.7 In no event may an Amway Distributorship be divided up or partially assigned other than in the circumstances set out in Rule 9.
- 5.8 In the event that a Distributor is a partnership and a dispute or disagreement (matrimonial or otherwise) arises between the partners such that in Amway's opinion the Distributorship is not being properly operated, then:
- 5.8.1 The Distributorship may with the prior approval from Amway (which, if given, may be subject to such conditions and provisions as Amway may attach) be operated during the period of the dispute or such other period as Amway may approve or specify, by one of the partners or by a manager jointly appointed by the partners for the purpose.
- 5.8.2 If within Ten (10) days after the dispute comes to Amway's notice the partners cannot agree on which partner or on the appointment of a manager to operate the Distributorship during such period, then Amway may instead of terminating the Distributorship, appoint a manager on such terms and conditions as Amway considers appropriate, to operate the Distributorship. Without limiting the breadth of Amway's discretion in respect of the terms and conditions upon which a manager may be so appointed, the manager shall, if Amway considers it appropriate, be entitled to all, or such part as Amway specifies, of the bonuses and privileges accruing in respect of the Distributorship during the period of management.
- 5.8.3 During such period, none of the partners may operate or participate in the operation of any other Amway Distributorship and if, and to the extent, directed by Amway Taiwan, the partners or the partner specified by Amway Taiwan shall not attend any Amway meeting.

6. PRESENTATION OF AMWAY SALES & MARKETING PLAN

- 6.1 When inviting others to an event to learn about the Amway business, a Distributor shall emphasize that the event is merely an occasion to learn about a business opportunity. Without limiting the foregoing, a Distributor may not invite others in the following ways that:
- 6.1.1 gives the erroneous impression that it relates to an employment opportunity;
- 6.1.2 appears to be an invitation to a social event;
- 6.1.3 falsely claims to be a "market survey," or
- 6.1.4 promotes the event as a tax seminar, finance seminar, investment seminar or a similar event.
- 6.2 A Distributor shall not issue an invitation to learn about the Amway business, or do any other act, matter or thing which is likely to mislead or deceive prospective Distributors, customers or any other persons into believing that:
- 6.2.1 The Amway business opportunity is an agency or business relationship with a person, company or organization other than Amway;
- 6.2.2 Amway products are marketed by a person, company or organization other than Amway;
- 6.2.3 The Amway business or Amway Distributors or Amway products are, or are part of, or are ancillary to, any business other than the business of Amway.
- 6.3 A Distributor may not deny, if asked, that the presentation of the Amway business is about the Amway Sales & Marketing Plan. When making a detailed explanation of the Amway business during the presentation, a Distributor shall correctly describe the legal relationship and the rights and obligations between Amway and its Distributors.
- 6.4 Presentation of the Amway business shall be made in accordance with Rule 3.1 and Rule 4.1.1, and other relevant rules as well as the following provisions:

- 6.4.1 Distributors shall follow the Amway Sales & Marketing Plan when presenting the Amway business;
- 6.4.2 Distributors shall explain correctly the features of the Amway business and the business relationship between Amway and Distributors as set out in the Amway Sales & Marketing Plan;
- 6.4.3 Distributors shall correctly describe the legal relationship between Amway and its Distributors as described in the Amway Business Manual and official Amway literature;
- 6.4.4 Distributors shall not represent that Distributors can benefit solely or principally by sponsoring others to be Distributors or having chance to order Amway products at Distributor price for their personal use, or a successful Distributorship can be built in the form of a "wholesale buying club" .
- 6.4.5 Distributors shall state that Distributors are under no obligation to sponsor others to be Distributors;
- 6.4.6 Distributors shall not promote the enjoyment of tax benefits as a reason for becoming a Distributor;
- 6.4.7 Distributors shall not state that the Amway business is a "get-rich-quick" opportunity in which it is easy to achieve success with little or no expenditure of effort or time;
- 6.4.8 Distributors shall state that income or bonuses will only be realized through continued sales of Amway products and provision of personal services to consumers and maintenance of certain qualifications;
- 6.4.9 Distributors shall only represent the past, present or future profits or earnings of Distributorship only in the following manner:
 - (a) may use specific income amounts in hypothetical illustrations or examples set out in the Amway

Business Manual or other Amway-produced literature, and provided that the amounts are stated to be only hypothetical; or

- (b) may use those earnings and/or bonus representations based on their own personal experiences; if the name, retail profits and/or bonuses of other Distributors are disclosed, Distributors must obtain the prior consent of the Distributor concerned.

6.4.10 Distributors shall only cite examples of success (e.g. travel, automobiles, homes, contributions to charitable causes) if they know such benefits were obtained as the result of earning bonuses from the sale of Amway products and Amway-distributed products.

- 6.5 No Distributor shall represent that Amway grants its Distributors exclusive territories.

7. USE OF THE AMWAY TRADE NAME, TRADEMARKS, AND BUSINESS SUPPORT MATERIALS / EVENTS POLICY

- 7.1 Distributors shall acknowledge that all Amway trademarks and service marks are owned and registered by Amway Corporation which constitutes trademarks or service marks user under the Trademark Law. Use of such trademarks or service marks in any manner without a proper authorization from Amway Corporation is a violation of the Trademark Law.
- 7.2 As means for Amway Taiwan to manage its products, and to ensure its compliance to local laws and regulations governing product labeling, commercial product inspection, trademark, and safety/sanitation issues, no Distributor may produce or procure from any source other than Amway any item upon which the Amway name or logo or any of its trade names or trademarks is imprinted.

- 7.3 Distributors shall not display the Amway trade name on his/her business vehicle without Amway's prior written approval, unless the display material is produced by Amway.
- 7.4 No Distributor may place classified or other sponsoring advertisements in any media using the Amway trade name, NUTRILITE, ARTISTRY, eSpring or any other Amway brand and product name.
- 7.5 In order to avoid violating the Trademark Law and other relevant laws and to reduce environmental pollutions, Distributors may never use Amway opportunity or Amway product related advertisements; telephone canvassing campaigns, letterbox drops, mass mailings or similar promotions to promote their Amway businesses.
- 7.6 For the purposes of maintaining the direct selling principle of Amway products and of ensuring consumers' full understanding of the accurate use of Amway products, no Distributors shall display the Amway name on the exterior of their business premises. Violation of Rule 7.2 by unauthorized manufacturing products bearing Amway name shall constitute as a violation of the Fair Trade Law and as a trademark infringement under the Trademark Law, and violating Distributors shall be responsible for the associated civil, criminal and administrative sanctions.
- 7.7 In their use of trademarks of Amway, in addition to complying with Rule 7.1, Distributors shall:
- 7.7.1 always indicate that Amway Corporation is the proprietor of the trademarks;
 - 7.7.2 not represent in any way that they own the trademarks or are entitled to use the trademarks as an Amway Distributor;
 - 7.7.3 only use registered trademarks as registered and shall provide Amway Taiwan with samples of all proposed uses of the trademarks;
 - 7.7.4 Comply with rules or directives made or issued by Amway from time to time as to the proper use of the trademarks.
- 7.8 Distributors shall not use the word "Amway" as part of any corporate or business name or permit or allow any other person or corporation to do so.
- 7.9 All Amway Corporation and Amway Taiwan printed materials are protected by international, U.S., and Taiwan copyrights and may not be reproduced or reprinted in whole or in part by Distributors or other persons without the written permission of Amway Taiwan.
- 7.10 Distributors may use official Amway literature only for the purpose of carrying out their functions as Distributors.
- 7.11 Articles from the Amway official literature may be reprinted by Distributors in newsletters which they publish for their Personal Group provided that each article is reproduced completely and correctly and is immediately followed by the statement "Reprinted with permission of Amway Taiwan."
- 7.12 For the purposes of protecting Amway Distributors and business, compliance with Supervisory Regulations Governing Multi-Level Sales and any other applicable laws, and avoiding any adverse effect on consumer rights and any conduct which may damage Amway's reputation any matter involving distributor's Business Support Materials (BSM) or Events shall comply with the Amway Taiwan BSM / Events Policy, the Rules of Conduct, and the BSM / Events Management Rules ("Management Rules").
- Hereunder Business Support Materials (BSM) shall mean those products and services which are intended to support and assist the marketing and sale of the Amway Sales and Marketing Plan, products, the Amway Business Opportunity, or prospecting thereof, including, but not limited to, those listed below:
- (a) Printed materials (books, magazines, catalogues, news letters or any other printed materials)
 - (b) Any form of video and audio materials (tapes, video-cassettes, DVD, VCD, CD)
 - (c) Internet websites (Blog, web pages)

The term "Events" shall mean any and all meetings which are intended to support and assist the marketing and sale of the Amway Sales and Marketing Plan, products, the Amway Business Opportunity or prospecting thereof, including any meeting, rally, seminar, or any other form of gatherings and campaigns held for the purpose of motivation or training.

7.12.1 Prior to the production, sale, or distribution of the BSM to others, the Distributor shall submit the contents, sample, and sale price of such BSM for Amway Taiwan's review and written approval, except that the items of such BSMs have complied with the Management Rules.

7.12.2 The contents of BSM and Events shall be fair and truthful, and shall comply with Amway Rules of Conduct, Management Rules, and all relevant laws of the ROC. Without prior written permission of Amway, neither prediction of possible income or future financial gain from becoming an Amway Distributor, nor any matter involving the Amway Sales and Marketing Plan or Amway product usages, features, and claims may be contained in the BSM. Amway has the authority to review any BSM produced, sold, or distributed by any Distributor and the contents and speech of events at any Distributor event and to recommend any change thereof. However, a Distributor shall be solely responsible for the legality of his/her BSM and Events. If Amway discovers that the contents or the conducts violate the laws, the Rules of Conduct, or the spirit thereof, Amway may make necessary dispositions pursuant to Rule 7.14.

7.12.3 A Distributor may only supply non-Amway BSM, or hold Events in accordance with Rule 3.12 in this Rules of Conduct, and all purchases and sales of such BSM shall be strictly voluntary. Bundling of BSM / Events with Amway products or with products

/ services provided by the Distributor or any other third party is strictly prohibited.

7.12.4 When selling BSM, a Distributor shall provide a written buy-back statement, which allows the purchaser, within 3 months after the purchase, to return the BSM with no question asked and to receive a full refund; when a purchaser of an Event ticket cancels his/her participation or asks for a refund before the Event is conducted, the refund must be completed within 30 days after the Event (a reasonable cost occurred may be deducted).

7.12.5 All such BSM shall display the date of recording or publication, and a remark of prohibiting reproduction.

7.12.6 No Distributor may receive any compensation, reward, or benefits from BSM produced or Events held by the Distributor or other third parties.

7.12.7 Distributors may sell BSM and Event tickets only at cost and the pricing must be clearly and publicly stated. Amway has the authority to specify the prices for certain BSM and Event tickets/attendance that are subject to prior notification and review procedure according to the fluctuation of price indices in the Management Rules for the Distributors to follow. If a Distributor's promotion and selling prices for BSM and Event tickets/attendance exceed Amway's specification of the prices that are subject to notification and review procedure, the Distributor shall notify Amway in writing, and obtain prior written permission from Amway before promoting or selling.

7.12.8 When a Distributor plans to hold Events by himself/herself or by any outsourced party, if the selling prices exceed Amway's specification of the prices in Rule 7.12.7, that Distributor shall notify Amway about such Events and get

- prior written permission at least three weeks prior to the promotion or sales of Events; however, such notification and permission does not mean that Amway approves the contents of the Events.
- 7.12.9 No Distributor or third party may use Amway's corporation name, brand names, trademarks, or service marks on any Event or BSM without Amway's prior written permission.
- 7.12.10 The content of any speech, scheme, or promotion, or the BSM used in a Distributor Event shall comply with the rules regarding presentation of the Amway Sales and Marketing Plan in Rule 6.4, and may not involve any discussion of religions, politics, and business opportunities not related to the Amway business, and may not contain any statement which may harm other individuals or system/Lines of Sponsorship.
- 7.12.11 No Distributor shall require other Distributors or prospects to pay a fee obviously incommensurate with the costs in the names of holding an Event or other similar activities, or to profit therefrom. The above rule is also applicable to Distributors' sales of BSM. A summary of account substantiating no profit was earned must be submitted to Amway Taiwan upon request.
- 7.12.12 Distributors may promote and sell BSM/Events made by himself/herself or third parties, only if such BSM/Events comply with the BSM / Events Policy, the Rules of Conduct, the Management Rules, that includes any BSM/ Events which have no specification of prices that are subject to notification and review procedure listed in the Management Rules.
- 7.12.13 Amway may, from time to time, make any rule relevant to the BSM/Events (including but not limited to the BSM/ Events Management Rules) for Distributors to comply with.
- 7.13 No Distributor may record speeches or presentations made at Amway-sponsored meetings.
- 7.14 If distributor-produced Business Support Materials or Events have violated the laws or this Rules of Conduct, or Amway Taiwan determines that such Materials or Events violate or are against the law, the spirit and intent of the Rules of Conduct, Amway Sales and Marketing Plan, or give rise to claims of others against Amway Corporation or Amway Taiwan, or are potentially detrimental to the businesses of Amway Corporation or Amway Taiwan causing losses in the sales revenue or in the reputation of Amway Corporation or Amway Taiwan, such Distributor shall immediately cease producing, selling, or distributing his/her Business Support Materials and Events upon Amway Taiwan's request. Amway Taiwan may adopt all necessary dispositions, including, but not limited to, probation (including suspension of that Distributor's right of ordering, right of sponsoring, payment of all bonus, rewards, recognitions, or cancellation of invitation of attending oversea Leadership seminar or Diamond meeting, or suspension or cancellation of other rights or rewards.) or termination of distributorship. A violating distributor shall be liable for the damages and the costs of Amway Corporation or Amway Taiwan caused by such violation.

8. NEW MARKET AND ZERO TOLERANCE POLICY

- 8.1 No Distributor shall begin to operate in a new market not yet opened by Amway; as such behavior gives erroneous impression that Amway is doing business in a market prior to the authorization by the local government.
- 8.2 A Distributor who operates his/her Amway business in a new market must be aware of, familiarize, and comply with all laws and regulations of the said market.
- 8.3 Some markets do not allow non-citizen to operate a business. In this case Amway recommends international sponsoring as a means of expanding Amway business internationally.

- 8.4 Distributors are permitted to establish a second Distributorship in other markets. However, the requirements for owning and operating a business in a foreign country can be complicated and expensive (attorney fees, business licenses and registrations, incorporation, taxes, and other administrative expenses). In addition, Distributors who choose to operate a second Distributorship must sign a non-resident agreement in the local Amway office and identify a local business manager to operate their business during their absence from the country. For these reasons, Amway recommends international sponsoring as a means of expanding business internationally.
- 8.5 Any mention in the media of Amway's public relations efforts or of legal notices that Amway is required to file in a new market must not be interpreted as the official announcement of Amway's intention to open a new market.
- 8.6 In the event that Amway officially launches a new market, Amway shall announce the opening of the market through the official corporate communication channels. Such communications will include the date of launch, indicate what pre-launch activity is permitted, and provide other information critical for Distributors in order to assist them in the new market. Only after Amway has made such announcement should Distributors begin preparation to operate in a new market.
- 8.7 Amway has adopted a Zero Tolerance Policy that prohibits any Distributor activity in markets that have not been officially opened by Amway. Below is a list of behavior/ activity that would be subject to the Zero Tolerance Policy.:
- 8.7.1 Amway defines "Distributor activity" as any activity that is designed to promote or build the Amway business. All Distributors are prohibited from visiting a new market for the purpose of appealing one or more prospective Distributors into the Amway business. Amway does not permit holding meetings (even one-on-one meetings) in any country prior to the announcement of the launch date and launch plans.
- 8.7.2 Prospecting by web sites directed at the unopened market is considered as inappropriate Distributor activity.
- 8.7.3 It is highly improper and a serious violation of the "spirit" of this policy to educate a non-Distributor about the Amway Opportunity and to then encourage said prospective Distributor to return to his/her native country to engage in acts of profit.
- 8.7.4 The Zero Tolerance Policy applies to all markets including unopened markets and markets that have been officially launched by Amway.
- 8.7.5 Distributors are prohibited to solicit Distributors outside of their Line of Sponsorship or Personal Group to provide prospects for a new market. To do so is a direct violation of the agreement between Amway and its Distributors and the Rules of Conduct or Commercial Principles applicable in a Distributor's market. Amway encourages Distributors to follow their original Line of Sponsorship, to apply for authorization in a new market.
- 8.7.6 The importation, use, or sale of any privately produced literature, tapes or other such business support materials (including the use of websites, e-mail and other electronic means of advertisement or communication) in relation to the Amway business not previously reviewed by Amway for use in a/each specific market is unauthorized and a violation of this policy. Authorized or legal actions in one market do not automatically serve as authorization for use in all markets, especially for new or unopened markets.
- 8.7.7 As means for Amway Corporation to manage its products, and to ensure its compliance to local laws and regulations governing product labeling, commercial product inspection, trademark, and safety/sanitation issues, importation of any Amway product or promotional

materials into a new market for any reason including sales, gifts, demonstration, or display is strictly prohibited. Importation of products and promotional materials without proper import licenses, registrations, and labeling may subject the violating Distributor and Amway to substantial fines, increased scrutiny, and other repercussions.

- 8.7.8 Advertising for prospective Distributors in the new market in any format is prohibited both in the new market and in the Distributor's home market. This includes flyers, bulletin boards, misuse of business cards, publication of meeting schedules, and seeking media coverage. Distributors cannot participate in "blind prospecting" (soliciting prospects without proper referral) by using phone books, professional society membership lists, etc. Under no circumstances may Distributors use mass communication methods such as spam (unsolicited email), television merchandising channels or computer networks to advertise the Amway opportunity.
- 8.7.9 Distributors may neither state nor imply that they are employees or representatives of Amway or any of its affiliated companies, nor may they say that they are the exclusive representatives of Amway in any particular country.
- 8.7.10 No Distributor-produced "pre-applications" or any similar documents that appear to commit a prospective Distributor to join a particular Line of Sponsorship are allowed. "Lead Forms", which are used only for a Distributor's internal use to collect information about prospective Distributors, must never be utilized as "pre-applications" and are not legally binding. The Lead Form must not be signed by the prospective Distributor and a copy must not be left with the prospect. The Lead Form and its use must never appear to commit or obligate the prospect in any manner.
- 8.7.11 Prospective Distributors who are residents of non-Amway markets shall not be invited to any Distributor-sponsored or company-sponsored activities organized in either Amway or non-Amway markets.
- 8.7.12 Showing the Amway Sales & Marketing Plan, importing, selling or providing Amway products in an unopened market is not permitted.
- 8.8 In order not to mislead consumers' impression towards Amway and to prevent violations of the registration law, advertising of any type about Amway business or Amway products is prohibited. This includes flyers, ads in hotels or in newspapers/magazines and misuse of business cards.
- 8.9 Misrepresentations of the Amway business such as promising great wealth for little effort, no selling, tax shelter, guaranteed residual income for life are prohibited.
- 8.10 Any Distributor involved in improper pre-launch activity will be subject to Amway's enforcement procedures. Complaints of improper activities are to be submitted in writing to the appropriate Sales/Distributor Relations Department for review on a case-by-case basis.
- 8.11 Penalties will range from warnings to temporary suspension in the new market to permanent exclusion from all activity in the new market (for example, no speaking or meeting participation), or termination of Distributorship, based on the severity of the violation.
- 8.12 In the event of termination action, the appeal rights as granted by the Rules of Conduct or applicable policies in an Amway affiliate may be invoked by the terminated Distributor.
- 8.13 Violators may be required to provide Amway a list with names and addresses of all persons solicited / contacted by him or her as prospective Distributors as the result of their unauthorized activities.

- 8.14 These enforcement procedures as Rule 8.11 may also be applicable to the upline Direct Distributor and/or any other upline Distributors who participated in the planning of such improper activities, or who had knowledge about but failed to stop such improper activities.
- 8.15 Direct Distributors are responsible for ensuring that all Distributors in their organization who are involved in international markets understand these rules. It is each Distributor's responsibility to adhere to the letter and spirit of these new market activity rules.
- 8.16 The definition of an unopened market refers to either/all of the following conditions:
- (a) The market of MLM (multi-level marketing) has not been granted by the local government.
 - (b) The local government does not allow non-nationals to operate a MLM business.
 - (c) A market where Amway has not entered and established a local company to operate in MLM way.

9. DEATH AND INHERITANCE

- 9.1 In the event of the death of a Distributor, then, in addition to Rule 5.2, the following provisions must be followed:
- 9.1.1 Amway Taiwan may appoint a manager on such terms and conditions as Amway considers appropriate, to operate the Distributorship until such time as the Distributorship is assigned or otherwise dealt with pursuant to Rule 9.1.2 or terminated by Amway pursuant to Rule 10.1.7. Without limiting the breadth of Amway Taiwan's discretion as to such terms and conditions, the manager shall, if Amway considers it appropriate, be entitled to all, or such part as Amway specifies, of the bonuses and privileges accruing in respect of the Distributorship during the period of management.
- 9.1.2 The executor or administrator of the estate of the deceased Distributor shall within thirty (30) days after the grant of probate or letters of administration:
- (a) assign or transfer the Distributorship pursuant to Rule 5;
 - (b) if the heir of the deceased Distributor is or applies to become a Distributor, then the heir shall inherit that Distributorship and carry on the business; or
 - (c) appoint a manager for such period and on terms and conditions specified or approved by Amway, to operate the Distributorship, provided the manager himself/herself is or applies to become a Distributor before commencing to operate the Distributorship. Without limiting the breadth of Amway's discretions as to the terms and conditions which may be so specified, the manager shall, if Amway considers it appropriate, be entitled to all, or such part as Amway specifies, of the bonuses and privileges accruing in respect of the Distributorship during the period of management.
- 9.2 In the event that a Distributorship comprises two natural persons in partnership and one of the partner dies, then, in addition to Rule 5.2:
- 9.2.1 The surviving Distributor will be deemed to be the manager of the Distributorship, until such time as the Distributorship is assigned or otherwise dealt with pursuant to Rule 9.2.2 or terminated by Amway pursuant to Rule 10.1.7;
- 9.2.2 Within thirty (30) days after the grant of probate or letters of administration:
- (a) the surviving partner shall acquire (whether by means of sale or transfer by will) all rights and obligations of the deceased Distributor in the Distributorship; or

- (b) the executor or administrator of the estate of the deceased Distributor shall assign or transfer the deceased Distributor's interest in the Distributorship to another Distributor who shall carry on the Distributorship in partnership with the surviving Distributor; or
- (c) the Distributorship shall be assigned or transferred pursuant to Rule 5; or
- (d) the executor or administrator of the estate of the deceased Distributor and the surviving Distributor shall appoint a manager for such period and on such terms and conditions as are specified or approved by Amway, to operate the Distributorship provided the manager himself is or applies to become a Distributor before commencing to operate the Distributorship.

10. TERMINATION AND DESPONSORSHIP

- 10.1 Upon the happening of any one or more of the followings with a Distributor, Amway Taiwan may in its discretion terminate or desponsor the Distributor's Distributorship by notice in writing:
 - 10.1.1 If in Amway's opinion the Distributor has provided false information in his/her "Application for Amway Distributor Authorization" (SA88TW) (including signatures not made by the Distributor).
 - 10.1.2 If the Distributor makes serious misrepresentations of Amway or the Amway business; if in Amway's opinion it is not serious, Amway Taiwan may order the probation and retraining procedures referred to in Rule 11;
 - 10.1.3 If the Distributor breaches any of these Rules of Conduct and fails to rectify such breach within the period of being required to do so in writing by Amway;
 - 10.1.4 If the Distributor commits repeated breaches of any of these Rules of Conduct;
 - 10.1.5 If the Distributor (including any one partner in the Distributorship) is convicted of an offence punishable by prison term;
 - 10.1.6 If the Distributor (including any one partner in the Distributorship) is suspended or disbarred from practicing his/her usual trade or profession by any trade or professional association, institute or society;
 - 10.1.7 If the Distributor (including any one partner in the Distributorship) dies and the Distributorship is not assigned or otherwise dealt with pursuant to Rules 9.1.2 or 9.2.2, within thirty (30) days after the grant of probate or letters of administration of the deceased Distributor or if probate or letters of administration are not granted within six (6) months after the date of death.
 - 10.1.8 If the Distributor breaches any of Fair Trade Law or Supervisory Regulations Governing Multi-Level Sales.
- 10.2 For the purposes of these Rules of Conduct, "termination" means the complete termination of a Distributor's contractual relationship with Amway Taiwan. Effective upon the date notified to the relevant Distributor by Amway in writing, the Distributorship shall be terminated, and the right to receive any further income from or generated by such Distributorship whether arising or accruing before or after the date of termination shall be lost.
- 10.3 "Desponsorship" or "desponsored from one's Personal Group" means the removal of a Distributor from his/her position as a Sponsor in the Line of Sponsorship, such removal being effected by written notice from Amway to the relevant Distributor and becoming effective on the date stated in such notice. However there is no effect on the rights of the said desponsored Distributor to Sponsor others in future.
- 10.4 A Distributor whose Distributorship is to be terminated or desponsored shall be given written notice of Amway's decision via registered mail. The notice of termination or desponsorship shall:

- 10.4.1 be mailed to the last mailing address of such parties as shown in Amway Taiwan's data processing records.
 - 10.4.2 state the Rule or Rules that the Distributor is in breach of;
 - 10.4.3 state the date on which any such action shall come into effect;
 - 10.4.4 where appropriate advise the Distributor of his/her opportunity to have his/her appeal presented to a Review Panel pursuant to the procedure set out in Rule 12.
- 10.5 Upon termination of a Distributor's Distributorship or upon desponsorship of a Distributor:
- 10.5.1 The terminated or desponsored Distributor shall forfeit his/her leadership status in his/her Personal Group including his/her titles and qualifications;
 - 10.5.2 Amway Taiwan has the right to determine and specify an appropriate Distributor to be the new Sponsor of the desponsored Distributor's personally-sponsored Distributors.
- 10.6 Upon termination of Distributorship, the terminated Distributor shall:
- 10.6.1 return in good condition to Amway Taiwan all Amway products and Amway distributed products then held by the Distributor in accordance with the policy for return of merchandise and obtain a refund ;
 - 10.6.2 cease to use any and all Amway trademarks, trade names and marks related to the Amway business;
 - 10.6.3 cease to represent himself /herself as an Amway Distributor.
- 10.7 In the event that a Distributor's Distributorship is terminated or a Distributor is desponsored by Amway after a period of probation by Amway pursuant to Rule 11, Amway Taiwan will refund, interest free, the bonuses held in escrow during the probation period pursuant to Rule 11.7.1 and 11.7.2 to the Distributor

within two months from the date of termination or desponsorship, after deducting the expenses incurred as specified under Rule 11.9.2.

- 10.8 Unless otherwise herein provided or implied, Amway shall have the exclusive right and discretion to determine the appropriate disposition and the terms of such disposition of the rights and benefits if any, of the Personal Group of any terminated or desponsored Distributors.

11. PROBATION & RETRAINING

- 11.1 If Amway Taiwan deems that one or more of the Distributors in a Direct Distributor's Personal Group have misrepresented the Amway Sales & Marketing Plan or have committed serious violations of the Rules of Conduct, then Amway may place on probation the whole or part of the Direct Distributor's Personal Group as Amway may determine.
- 11.2 Before imposing probation on the whole or part of a Direct Distributor's Personal Group, Amway shall notify the Direct Distributor in question of the misrepresentation or other serious violations of the Rules of Conduct giving rise in Amway's view of the need for probation.
- 11.3 At the same time as giving notice to the Direct Distributor pursuant to Rule 11.2, Amway may in its absolute discretion elect to give the Direct Distributor and the Sponsor of the violating Distributors an opportunity to make their factual statements or to initiate their own investigation, and to initiate their own corrective actions within the Personal Group; Amway Taiwan may specify a period within which such corrective action is to be taken.
- 11.4 If the Direct Distributor or other related Sponsors neglect or fail to take appropriate action within the time prescribed in Rule 11.3, then Amway may proceed to impose probation as Amway may determine.
- 11.5 Probation and retraining by Amway shall consist of all or such one of the following corrective actions as Amway may consider appropriate:
 - 11.5.1 A notice to be prepared and sent by

Amway Taiwan to all Distributors in the Direct Distributor's Personal Group or in that part of his/her Personal Group placed on probation. The notice will specifically outline the nature of the misrepresentation of Amway or the Amway Sale & Marketing Plan which has given rise to the imposition of probation, and will outline the correct manner in which Amway requires its Distributors to present Amway and the Amway business. The notice may also announce the time, date and place at which special retraining seminars will be held for all Distributors on probation. The notice will be co-signed by Amway and by the Direct Distributor or other nominated Distributor, or by Amway alone;

- 11.5.2 Distributors placed on probation shall attend a thorough retraining program to learn the proper presentation and the conduct of Amway and the Amway business and to teach other Distributors in his/her Personal Group. Such retraining seminars will be conducted by the Direct Distributor or other nominated Distributor under the supervision of Amway Taiwan, or by Amway itself if the Direct Distributor or other nominated Distributor refuses to or in Amway's opinion does not fully cooperate with Amway in organizing and conducting the seminars.
- 11.6 In the event that the Direct Distributor whose Personal Group has been placed in whole or part on probation by Amway, elects to cooperate with Amway in the organization and conduct of the retraining seminars referred to in Rule 11.5.2 above, then:
- 11.6.1 The Direct Distributor or other nominated Distributor shall prepare and forward to Amway for its written approval, prior to the first retraining

meeting, a schedule of the retraining meetings;

- 11.6.2 The schedule shall include the date, time, and place of such meetings, the Distributors invited to attend, the speaker or speakers who is or are to speak at the retraining meetings, and the number of people expected to be in attendance;
- 11.6.3 All Distributors attending such retraining sessions will be required to sign an attendance sheet, which the Direct Distributor or other nominated Distributor will send to Amway after the meeting;
- 11.6.4 The Direct Distributor or other nominated Distributor shall tape all such retraining sessions in its entirety, and forward a copy of such tapes to Amway for review;
- 11.6.5 The Direct Distributor or other nominated Distributor shall conduct or direct all such retraining sessions and shall report the results of such sessions to Amway;
- 11.6.6 Amway Taiwan personnel may attend all or any one of such retraining sessions to monitor the meeting. And if considered necessary, the Amway personnel present may take over the conduct of the sessions to ensure their compliance with Amway's requirements.
- 11.7 The imposition of probation may have the following consequences as Amway may in its absolute discretion determine:
- 11.7.1 Suspension of payment of all bonuses, including but not limited to, Performance Bonuses, Ruby, Leadership Bonus, Pearl and annual bonuses including Emerald, Diamond, Diamond Plus and any special bonuses, payable to the Distributors under probation. Any such bonuses shall be computed, but held in escrow by Amway during the probation period.
- 11.7.2 The Performance Bonuses which would otherwise be paid to the Direct Distributor or other nominated Distributor will be treated as follows:
- (a) Performance Bonuses owing to the

- personally-sponsored Distributors of the Direct Distributor or other nominated Distributor will be computed and paid directly to them by Amway or temporarily by another upline Direct Distributor; and
- (b) the remaining balance of the Performance Bonuses will be held in escrow by Amway during the period of probation.
- 11.7.3 Amway may determine whether and to what extent the monthly Business Volume of the Distributorships on probation are to be counted towards qualification for Emerald, Diamond, one time cash bonuses or Diamond Plus bonus, for any rewards, for the annual Leadership Seminar, Diamond meetings or Founders Invitational Meetings, or for any Special Bonus to be paid by Amway after the probation at the end of the fiscal year.
- 11.7.4 Amway may in its absolute discretion withhold or refuse recognition of the Distributors on probation for any awards under the Amway Sales & Marketing Plan.
- 11.7.5 Amway may in its absolute discretion determine whether invitations are to be sent to the Distributors on probation to attend New Direct Distributor Seminars, Direct Distributor Forum, Leadership Seminars, Diamond meetings, Founders Invitational Meetings, or other Amway recognition event, even though they may have qualified for such session or meeting.
- 11.8 Pursuant to Rule 11.7.2, Amway may request a qualified Sponsor in the Line of Sponsorship to operate the Distributorship and who shall be entitled to all, or such part as Amway specifies, of the bonuses accruing in respect of the Distributorship during the period of service.
- 11.9 If Amway considers that probation and retraining have been successful such that the Distributors under probation will not misrepresent Amway or the Amway business or commit further other

serious violations of the Rules of Conduct:

- 11.9.1 Amway will lift the probation and, subject to Rule 11.9.2 below, restore full Distributor rights and privileges;
- 11.9.2 All expenses incurred by Amway in conducting the retraining seminars and in administering the probation generally will be deducted from the bonuses held by Amway in escrow during the probation period and the balance, if any, paid to the appropriate Distributors.
- 11.10 If Amway considers that the retraining has not been effectively carried out in respect of the Distributors on probation, Amway may:
- 11.10.1 Direct that probation be continued, and further corrective action taken, in respect of the Distributors; or
- 11.10.2 Conclude probation and terminate the Distributorship of the Distributors.

12. REVIEW BY AMWAY CORPORATION

- 12.1 A Distributor who has been desponsored or placed on probation or whose Distributorship has been terminated (except pursuant to Rules 10.1.1 or 10.1.5 or 10.1.6), may within 15 days after notice from Amway Taiwan of the desponsorship, probation or termination as the case may be, make a written request in English to Amway Corporation (7575 East Fulton Road, Ada, Michigan, USA), marked to the attention of the Vice President-International, to review Amway Taiwan's decision.
- 12.2 Any request for review by a Distributor pursuant to Rule 12.1 shall be determined by a Review Panel which shall consist of such Amway personnel as may be determined by the Vice President-International of Amway Corporation to review Amway's decision.
- 12.3 The Distributor requesting the review shall submit necessary evidence, and shall produce additional evidence as the Review Panel may require.
- 12.4 The Review Panel shall be the judge of the relevancy and materiality of the evidence

submitted, and strict conformity to the rules of evidence will not be necessary.

- 12.5 The Distributor requesting the review will be provided with copies of all materials submitted by Amway Taiwan to the Review Panel, and Amway Taiwan will be provided with copies of all materials submitted by the Distributor.
- 12.6 The Review Panel may affirm, reverse or modify Amway Taiwan's decision
- 12.7 If the conclusion of the Review Panel includes termination of the Distributorship, Amway Corporation will notify the Distributor about such termination in the following manners:
 - 12.7.1 Amway Taiwan's decision to terminate a Distributorship has been confirmed as effective as from the date of termination previously notified by Amway Taiwan; or
 - 12.7.2 A Distributorship has been terminated by the Review Panel, in this case the Distributorship of the Distributor shall be deemed to have been terminated by Amway Taiwan upon and by virtue of service of notice to the Distributor concerned of the Review Panel's determination.

12.8 In the event that the Review Panel decides upon corrective action other than termination, then:

- 12.8.1 Amway Corporation will notify the Distributor who requests the review informing him/her the corrective action to be taken and specifying a period within which that action must be completed by the Distributor; and
- 12.8.2 Amway Taiwan will take such steps as may be necessary to implement the Review Panel's determination.

13. GENERAL

- 13.1 When any Distributor violates these Rules, Amway Taiwan may determine, on a case-by-case basis, the appropriate disposition upon the Distributorship of the violating Distributor based on factors like the materiality of the violation, the Distributor's attitude, conduct, and motive, among other things.
- 13.2 These Rules shall be governed and construed in accordance with the law of the Republic of China for the time being and from time to time in force.

