

CODE OF CONDUCT

Introduction

At PUGOS we prescribe to follow the DSA Code of Conduct that sets minimum requirements and expectations with respect to the ethical conduct of distributors of PUGOS PRODUCTS PRIVATE LIMITED (hereafter referred to as 'PUGOS').

These standards apply to all distributors of goods and services to and from PUGOS, irrespective of where the PUGOS is based. PUGOS reserves the right to terminate business relationships with distributors who fail to comply with these guidelines and standards.

Ethical Conduct: All distributors are expected to operate in full compliance with all applicable national, government and/or local laws, guidelines and regulations of the countries in which they operate. This Code of Conduct goes further; it draws upon internationally recognized standards, in order to advance social and environmental responsibility.

The Human Dimension

- **Human Rights** - Distributors must uphold the human rights of down lines and treat them with dignity and respect as understood by the international community. PUGOS will not tolerate any conduct that fails to uphold human dignity and respect for individuals.
- **Equal Opportunities** - We expect our distributors to implement referral procedures that prevent discrimination on the grounds of age, culture and language, disability, ethnicity, sexual identity, marital or family status, country of birth, race or skin colour, creed, gender, sexual orientation and other characteristics protected by law. These principles extend to all recruitment and employment practices such as for promotion, access to training, rewards, transfer and redundancies.
- **Laws and Regulations** - All distributors must comply in full with all applicable national, government and/or local laws, guidelines and regulations that are applicable to their business operations. In addition, distributors must fulfil all their obligations under public law with respect to applicable agreements, understandings or any other binding obligation
- **Embargoes and Trade Law** - distributors respect the applicable trade laws and restrictions as imposed by the United Nations or other national bodies or governments.
- **Conflicts of Interest** - Distributors must avoid all transactions or business relationships that constitute a conflict of interest or where there is the potential for the semblance of a conflict of interest.
- **Gifts** - Accepting gifts may lead to conflicts of interest and/or raise doubts about the neutrality of the decisions made by PUGOS. This eventually may endanger the reputation of our PUGOS. We permit the acceptance of courtesy gifts of low value, but the acceptance of any other gifts and other benefits (particularly cash), which are offered to employees or close relatives, is expressly prohibited.
- **Bribery** -distributors refrain from any form of corruption including extortion and active or passive bribery. Bribes include cash or undeclared discounts, payments for advertising or other concealed price reductions or expenses.
- **Publicity** - PUGOS prohibits the use or publication of its name, logos, images, supplier relationships, products, parts, design and all other non-public information in press releases, advertising material, tender offers, customer lists, websites, incl. product displays at, so trade fairs or suppliers' premises, etc., without the prior consent in writing

- **Confidentiality** - All suppliers and distributors are expected to protect all confidential information provided by PUGOS and its respective business partners, even if a separate confidentiality agreement has not been signed on a case-by-case basis.

The Environmental Dimension

- **Environmental and Social Responsibility** - PUGOS expects its distributors to uphold business practices that conserve and protect the environment, contribute to the welfare of the local community in which the PUGOS operates and does business, and demonstrate accountability and transparency in relation to their environmental credentials.
- **Continuous Improvement** - distributors continually evaluate and improve their products knowledge, working methods, sales presentation processes and services. Suppliers and distributors ensure that these changes are executed in a controlled way and are acceptable with the applicable legislation.

1. Deceptive or Unlawful Consumer or Recruiting Practices

- a. No member of the PUGOS shall engage in any deceptive, false, unethical or unlawful consumer or recruiting practice. Distributors shall ensure that no statements, promises or testimonials are made that are likely to mislead consumers or prospective independent salespeople.
- b. Distributors must comply with all requirements of law. While this Code does not restate all legal obligations, compliance with all pertinent laws by distributors is a condition of acceptance by and continuing membership.
- c. Distributors shall conduct their activities toward other Distributor in compliance with this Code and all pertinent laws.
- d. Information provided by Distributors to prospective or current independent sales people concerning the opportunity and related rights and obligations shall be accurate and complete. Distributors shall not make any factual representation to prospective independent salespeople that cannot be verified or make any promise that cannot be fulfilled. Distributors shall not present any selling opportunity to any prospective independent salesperson in a false, deceptive or misleading manner.
- e. Distributors shall not induce a person to purchase products or services based upon the representation that a consumer can recover all or part of the purchase price by referring other consumers, if such reductions or recovery are violating of applicable referral sales laws.
- f. Distributors are hereby required to comply with the legal obligations of registering with the service tax authorities when they reach the threshold as prescribed by the law and the PUGOS cannot be held liable for the same.
- g. PUGOS shall provide its distributors with periodic accounts including, as applicable, sales, purchases, details of earnings, commissions, bonuses, discounts, deliveries, cancellations and other relevant data, in accordance with the distributor agreement with the PUGOS. All monies due shall be paid to the distributors after the deduction of TDS.
- h. Distributors shall respect any lack of commercial experience of consumers. Distributors shall not abuse the trust of individual consumers, or exploit a consumer's age, illness, handicap, lack of understanding or unfamiliarity with a language.

i. A direct seller shall not visit a consumer's premises without identity card and prior appointment or approval.

j. A direct seller shall not provide any literature to a prospect, which has not been approved by the Pugos

k. A direct seller shall not in pursuance of a sale, make any claim that is not consistent with claims authorized by the PUGOS. Indulge in fraudulent activities or sales and shall take reasonable steps to ensure that participants do not indulge in false or misleading representations or any other form of fraud, coercion, harassment, or unconscionable or unlawful means. Engage in, or cause or permit, any conduct that is misleading or likely to mislead with regard to any material particulars relating to its direct selling business, or to the goods or services being sold by itself or by the m. direct seller;

n. A direct seller shall comply with the requirements of all relevant laws, including payment of taxes and deductions thereunder.

o. A direct seller shall not induce consumers to make a purchase based upon the representation that they can reduce or recover the price by referring prospective customers to the direct sellers for similar purchases Persons not to be engaged in the business of direct selling.— No person who is convicted, or bankrupt during the last five years prior to his association with the business of direct selling, or a person of unsound mind, shall be engaged in the business of direct selling.

p. As per Direct seller obligations mentioned in the consumer protection act, if it is violated by any direct seller is subject to/ liable to meet the loss incurred and will be liable for legal action. The company shall withhold his/her commission and forfeit the direct seller distribution agreement/contract.

2. Products, Services and Promotional Materials

a. The offer of products or services for sale by Distributors is accurate and truthful as to price, grade, quality, make, value, performance, quantity, currency of model and availability. All product claims made by Distributors must be substantiated by competent and reliable evidence and must not be misleading. A consumer's order for products and services shall be fulfilled in a timely manner.

b. Distributors shall not make misleading comparisons of another PUGOS 's direct selling opportunity, products or services. Any comparison must be based on facts that can be objectively and adequately substantiated by competent and reliable evidence. Distributor shall not denigrate any other member PUGOS, business, product or service--directly or by implication- in a false or misleading manner and shall not take unfair advantage of the goodwill attached to the trade name and symbol of any PUGOS, business, product or service.

c. Promotional literature, advertisements and mailings shall not contain product descriptions, claims, photos or illustrations that are false, deceptive or misleading. (Promotional literature shall contain the name and address or telephone number of the distributor).

d. Distributors shall offer consumers accurate information regarding price, credit terms; terms of payment; a cooling-off period, including return policies; terms of guarantee; after-sales service, and delivery dates. Distributors shall give understandable and accurate answers to questions from consumers. To the extent claims are made with respect to products, Distributors shall make only those product claims authorized by the PUGOS.

3. Rights and Obligations of PUGOS Distributors

The provisions listed in this section are the behavioural norms that every distributor must follow. These rules have been adopted in order to define the functions, obligations, and rights of distributors in relation to each

other and also to define the relationships between a distributor and the PUGOS. The purpose of the rules is to create a system of relationships, simultaneously observing the rights of every distributor and not limiting his freedom of action in his business.

1. A distributor pledges to care about the PUGOS 's reputation, adhering to high ethical principles that accord with the spirit of cooperation among distributor
2. The basic purpose of Pugos's activities is to increase the amounts of products and services available to the end customer.
3. A distributor must not interpret descriptions of products and services listed on labels or in official PUGOS documents in his own way.
4. A distributor has the right to advertise PUGOS products only in accordance with the provisions of the Rules and other official PUGOS documents.
5. A PUGOS distributor is forbidden to propagandize methods of gaining income that differ from those enumerated in official PUGOS documents.
6. All distributors are obligated to observe the clauses of the contract signed by them.
7. Each distributor must maintain proper relations with all other PUGOS distributors.
8. To the extent possible, distributors must prevent Ethics violations, informing PUGOS employees in good time of any activities performed by other distributors.
9. Distributors are obligated to run their affairs in a manner such that their activities are proper from the point of view of law and do not harm the reputation of PUGOS and of its distributors.

1. Professional Leadership

Distributors are obliged to accomplish their activities while observing ethical and professional principles that facilitate the strengthening of the reputation of the PUGOS and the distributors themselves. The behaviour of distributors must not harm the PUGOS 's prestige or reflect negatively on the activities of other distributors. Distributors must behave politely and treat With respect all persons with whom they come into contact in the course of their work. Every distributor bears personal responsibility for a maintaining Vision's reputation. The PUGOS concludes a contract with a distributor, placing its trust in his honesty and decency and his ability to carry out his obligations professionally, and at the same time it guarantees him the same honesty and decency on its part

2. Presenting the Dynamic Marketing Plan

Distributors must present Vision's activities within the framework of its Marketing Plan objectively to potential PUGOS distributors. Prior to contract signing the sponsor must present the candidate with all the information contained in Vision's rules of behaviour so that the candidate can evaluate the PUGOS 's activities objectively.

When inviting a candidate to a presentation of PUGOS and its Marketing Plan the distributor must explain that:

- a distributor is an independent entrepreneur;
- a presentation is an introductory encounter and does not entail any obligation;
- a presentation is not a measure taken to study consumer demand; and
- a presentation is the exposition of the PUGOS 's activities and possibilities.

Distributors may tell about the standard of living they have achieved as the result of successful activities accomplished with Vision. Tourist trips, the purchase of cars, real estate, and so on may serve as examples.

3. An Example of Possible Earnings

When presenting the Dynamic Marketing Plan it is essential to emphasize the inadmissibility of increasing one's income in ways that are inconsistent with these Rules and Regulations and other official PUGOS documents. The distributor must clearly explain to all candidates that success in their activities depends exclusively on the efforts they make. At the beginning of a presentation the distributor has the right to caution the candidates that all examples are adduced exclusively as illustrations for the Dynamic Marketing Plan. The distributor must not exaggerate possible income or claim that success is guaranteed. Examples should be adduced only in order to illustrate the use of the Dynamic Marketing Plan in one's work. It is essential that the distributor emphasize that reference to income is made exclusively for explanatory purposes.

4. Monthly Purchase

Every distributor has the right to place the minimum monthly order provided for by PUGOS in order to be qualified as an active distributor. Every distributor has the right to place the minimum monthly order provided for by PUGOS in order to be qualified as an active distributor. When he pledges to observe the requirements laid out below, a distributor can conduct his activities in any part of India where PUGOS has a presence through an office or a subsidiary PUGOS (franchisee) authorized to effect the Direct Selling Program, observing the laws of the jurisdiction in which he conducts his activities.

5. Distributors are not PUGOS Employees

A Distributor is a person who carries on his entrepreneurial activities on his own, independent of the PUGOS. Distributors are not employees or PUGOS personnel, and they do not have the right to claim that they are permanent PUGOS employees. Accordingly, distributors do not have the right to indicate such a connection on their business cards or in other documentation. A distributor bears responsibility for obligations (liabilities, and expenditures connected only to the development of his own activities. The PUGOS does not bear responsibility for the obligations (liabilities) of distributors, and distributors are not responsible for the PUGOS's obligations (liabilities).

6. Sponsorship

It is essential that a distributor not only actively manage the work of the groups that are a part of his Team, but also render them support. Your task as a sponsor is to prepare your distributors well, since their business is a part of your business. On the one hand sponsor directly monitors the activities of his group, while on the other hand he helps his distributors organize their activities. It is essential that a sponsor do everything possible to be in constant contact with the distributors, since he bears personal responsibility for observation of all the provisions of these Rules. A sponsor has the right to give instructions to his distributors by telephone or by mail. It is essential that a sponsor go through every PUGOS innovation with his group and make sure the distributors have understood it correctly. In the event that a sponsor cannot organize his own group or manage it skilfully, he can turn for help to another distributor, who will render him assistance.

7. Publication in the mass media, advertising, use of trademarks, brand names, and copyrights

Distributors may not produce, demonstrate, or use any materials in which trademarks, symbols, or brand names belonging to PUGOS appear unless these actions have been approved by the PUGOS. The advertising activities of PUGOS distributors in the mass media must be carried out in strict accordance with the rules established by the PUGOS in the Regulation "On the Policies and Procedures for the Conduct of Advertising Activities by PUGOS International People Group Distributors in the Mass Media" as approved by the PUGOS's Board of Directors. The rules mentioned here also apply to brochures, booklets, books, and other printed materials that distributors intend to publish for advertising purposes.

7.1 DISPUTES BETWEEN INDEPENDENT DISTRIBUTOR(S)

7.1.1 GRIEVANCES AND COMPLAINTS



When an Independent Distributor(s) has a grievance or complaint with another Independent Distributor(s) regarding any practice or conduct in relationship to their respective PUGOS businesses, the complaining Independent Distributor(s) should first discuss the problem with other Independent Distributor(s). If this does not resolve the problem, the complaining Independent Distributor(s) should report the problem to his/her up line Diamond Director to resolve the issue at a local level. If the matter cannot be resolved within 30 days from the date on which it was reported to the up line Diamond Director, it must be reported in writing to the PUGOS Compliance Department. The Compliance Department review the complaint and make a decision. The complaint should identify specific instances of alleged improper conduct and, to the extent possible, identify the relevant dates on which the event(s) complained of took place, the location where they occurred, and all persons who have first-hand knowledge of the improper conduct.

7.1.2 COMPLIANCE DEPARTMENT REVIEW

Upon receipt of a written complaint, the PUGOS Compliance Department will investigate the matter, review the applicable policies, and render a decision on how the dispute shall be resolved. The Compliance Department may also issue disciplinary sanctions consistent with the provisions of Section 7-3. Subject to applicable law, PUGOS Compliance Department's decision shall be final and binding on the Independent Distributors to the dispute.

7.2 DISCIPLINARY ACTIONS

Violation of any of the terms and conditions of the Independent Distributor(s) Agreement or these Policies and Procedures, or any illegal, fraudulent, deceptive, or unethical business conduct by an Independent Distributor(s), may result, at PUGOS's discretion, in one or more of the following sanctions:

- A. A written warning, clarifying the meaning and application of a specific policy. or procedure and advising that a continued breach will result in further sanctions;
 - B. Probation, which may include requiring an Independent Distributor(s) to take remedial action and will include follow-up monitoring by PUGOS to ensure compliance with the Agreement;
 - C. Withdrawal or' denial of an award or recognition, or restricting participation in PUGOS-sponsored events for a specified period of time or until the Independent Distributor(s) satisfies certain specified conditions;
 - D. Suspension of certain privileges of Distributor(s)ship, including but not limited to placing a product order, participating in PUGOS programs, progressing in the Business Plan, or participating as a Sponsor, for a specified period of time or until the Independent Distributor(s) satisfies certain specified conditions or any other right or privilege;
 - E. Withholding commissions or pay-outs for a specified period of time or until the Independent Distributor(s) satisfies certain specified conditions;
 - F. Imposing fair and reasonable fines or other penalties in proportion to actual damages incurred by PUGOS and as permitted by law; and/or
 - G. Terminating the Distributor(s)ship by terminating the Independent Distributor Agreement.
8. The PUGOS 's trademarks and/or brand names are its property and distinguish the PUGOS 's products from products marketed by other companies. Accordingly, they must be protected reliably in order to avoid the possible deception of customers.

PUGOS's products enjoy great market demand. Other companies may attempt to utilize PUGOS trademarks and/or brand names protected by copyright to sell similar products. Relying on current legislation, PUGOS blocks the utilization of its trademarks, emblems, and/or trade and brand names by third persons. Every time the PUGOS 's trademarks or symbols are used illegally, significant material and ethical damage is inflicted upon it. In this connection PUGOS forbids even its own distributors any utilization whatsoever of its trademarks, brand names, emblems, and other symbols unless they have the PUGOS 's written permission to do so. If a distributor is suspected of improper or forbidden utilization of Vision's trademarks and/or brand names, it will be proposed to him that he send the PUGOS a sample of the items being disseminated by him so that a decision may be reached.

When PUGOS trademarks and brand names are used in advertising materials of a general overview nature, both printed and audio visual, it is essential that the PUGOS 's interests be observed. As already noted above, PUGOS nomenclature (trademarks) and brand names must be protected from illegal utilization by third persons. This part of the Rules defines the procedures that must be adhered to so as to ensure the legal utilization trademarks and brand names by distributors.

In order to preserve a single proprietary style, only the PUGOS itself or its authorized representatives may establish the designs for letterheads, envelopes, business cards, and other documents containing the PUGOS name or logotype. Business cards, letterheads, or so on may include only the following information:

- the name "PUGOS," after which should be added: "Independent Distributor" and;
- Your name, address, and telephone number.

When any design is changed, PUGOS so informs its distributors. In accordance with current rules, it is not permitted to publish claims about the therapeutic or medicinal action of PUGOS products in any advertisement in either oral or written form.

It is forbidden to make improper remarks concerning PUGOS products. All product descriptions must accord with their description in the PUGOS 's official printed documents.

It is forbidden to sell or advertise PUGOS products in stores or retail trade outlets, including beauty salons and barbershops the following sanctions may be applied to distributors who have violated the provisions of the "Rules for the Utilization of Nomenclature (trademarks), Registered PUGOS Brand Names, or Other Materials Protected by Copyright":

- deprivation of the right to utilize PUGOS trademarks and/or brand names;
- demand for compensation for abuse of PUGOS brand names and symbols; and/or
- Abrogation of the contract with PUGOS.

A distributor must immediately inform the PUGOS office in the country where he carries out his activities of any possible remark or warning made on the part of the host authorities.

9. Carrying out Business Activities in Other Direct Selling Companies A distributor's activities must be carried out in accordance with the current Rules. A distributor must carry out activities strictly within the framework of the legal and social norms defining his activities. Over the course of the validity period of the contract, a distributor pledges not to engage in activities that are in competition with his commercial activities with Vision, in particular not to advertise and disseminate products of other Direct Selling Companies. A distributor must not resort to any illegal commercial activities. According to the provisions of this document, the PUGOS pledges to support and take part in the development of the successful activities of distributors who, as PUGOS distributors, honestly present only its products and possibilities in the market. In the event of violation of the conditions indicated and improper behaviour by a distributor, such as:
- parallel activities in a different Direct Selling PUGOS;
 - recruiting distributors by disseminating the videocassettes/CD and printed productions of another PUGOS;
 - discrediting the PUGOS or its leaders; and/or
 - Destruction of distributor Team.

In connection with the above violations, the PUGOS reserves the right to abrogate the contract with a distributor or to suspend his activities for a certain time (at the PUGOS 's discretion).

10 Change of Sponsor

A potential distributor chooses a sponsor among PUGOS distributors. A candidate has the right to choose a sponsor for himself prior to signing a contract with Vision. A distributor does not have the right to change sponsors over the course of his activities.

11. Transfer of Contract

A distributor has the right to transfer the contract he has signed with PUGOS to close relatives (his spouse, children, parents). The distributor must thereby submit a written request to the PUGOS with an attached copy of the contract, in which he declares his wish to transfer all the rights to his contract to another person. Photocopies of the passport data of the new owner of the contract must be attached to this statement with confirmation of his agreement to the transfer. After thorough verification of the documents presented, the PUGOS shall make the appropriate decision. In the event a distributor transfers the Contract to his family members, it is not only the distributor's rights that are transferred but also his obligations. Upon the transfer of his contract to his family members, the distributor has not the right to conclude a new contract until 1 year has elapsed from the transfer date.

12. Termination of a Distributor's Activities

A distributor has the right to cease his activities, having so informed the PUGOS in writing. In ceasing his activities, the distributor loses all rights, advantages, and privileges connected to activities in Vision. The distributor must submit a request to the PUGOS in written form with an attached copy of the contract and passport; a PUGOS employee shall then thoroughly verify the identity of the declarer; in this case the personal presence of the distributor or a notarized power of attorney from the person wishing to annual his contract is required. PUGOS rules strictly forbid the annulment of another distributor's contract. If violation of this rule becomes known to the PUGOS, the PUGOS reserves the right to apply the appropriate sanctions to the violator. Immediately upon abrogation of the contract, the sanctioned distributor is obliged to cease his activities along with utilization of PUGOS nomenclature (trademarks) and markings. In the event of abrogation of the contract, the distributor has not the right to conclude a new contract until one year has elapsed from the transfer date.

13. Family Contract

Spouses pledge to sign a common family contract. In such case one of the spouses will act as the primary owner of that contract, while the other will act as a partner. PUGOS distributors who have decided to marry after they have registered as PUGOS distributors have the right for each of them to keep their own contract, creating their own downline structures. In the event of an official divorce, the distributor who acted as the partner has the right to conclude a new Contract with the PUGOS under the same sponsor. The PUGOS considers each such case individually. Only officially registered spouses are allowed to enter family contracts as partners.

14. Re-signing

each new distributor pledges to sign only one Contract with the PUGOS. PUGOS ethics strictly forbid signing a second Contract while the first one is still in effect. If it becomes known to the PUGOS that a distributor has signed a second Contract and is sponsoring prospect distributors under that Contract, the PUGOS has the right to apply the following sanctions:

- annul the second Contract;
- merge the Contracts together into the first signed contract and transfer the group and purchases from the second signed contract to the first;
- suspend the contract of the sponsor who re-signed the distributor for a period of one to several months; and/or
- suspend the contract of the distributor who re-signed himself for a period of one to several months.

15. Distributor and Client

the core activity that PUGOS's distributors engage in is propagation of its philosophy Whole Health Option and the culture of a healthy lifestyle. The latter are fundamental values of the PUGOS that serves the interests of preserving and improving people's health, and also preventing children and adults from suffering from diseases that are associated with their unhealthy lifestyle.

Propagation of the PUGOS 's philosophy and ideology includes, among other things, dissemination of printed materials, audio- and videotapes, presentation CD's and other media containing health related information, and also information about such attributes of a healthy lifestyle as biologically active dietary supplements, cosmetics and other products offered by the PUGOS, the consumption of which makes it possible for every person to improve his or her health. A distributor is obligated to be polite and tactful. All representations of the product must be complete and trustworthy. They must include the rules for usage and the warnings given on the label and also on the printed materials published by the PUGOS. In the event that the client is under medical observation, the distributor should suggest that the client confer with his doctor before changing his system of nutrition.

16. Disciplinary Measures

A distributor who becomes aware of a violation of the Rules is obligated to inform the violator and discuss his act with him. The purpose of the given rule should be explained to the violator. The majority of violations are the result of an incorrect understanding, or misinterpretation, of the Rules. In the majority of instances, calm discussion and explanation are sufficient to resolve the problem. If the violator understands the rule and agrees to act in accordance with it, there is no need to inform the PUGOS of the violation. In the event, however, that the violator refuses to act in accordance with the rule, the distributor can send the PUGOS a detailed description of the given case on the appropriate form. It is a punishable violation of the Rules of Behaviour to knowingly give false information. Upon receipt of the given statement by the PUGOS, all sides will be given the opportunity to present evidence, confirmations, and written statements.

The PUGOS makes and ensures all the necessary conditions for its distributors, but if the violation of one of the provisions of the Rules OS of Behaviour becomes known to the PUGOS, it has the right to apply the following sanctions with respect to the distributor:

- Suspension of the distributor's activities for a period of time (at the PUGOS's discretion). For that time the distributor loses the rights to all the privileges of activities without exception and does not have the right to sign up new distributors. The distributor is deprived of the right to make purchases and to receive commissions. The PUGOS sends the distributor and his sponsor above him a letter to notify them that the Rules of Behaviour and PUGOS Ethics have been violated. The distributor must contact the PUGOS within ten days of receipt of the letter to clarify the situation; and
- Unilateral abrogation of the contract with the distributor without any compensation. The PUGOS informs the distributor of said abrogation by mail, in a written notification sent to the last address shown in an official document. The contract is considered to be abrogated as of the date indicated in the written notification. The reasons entailing abrogation of the contract are also specified in the notification.

Regulations

On the Procedure in which PUGOS associate Conduct Advertising Activities in the Mass Media

These Regulations was worked out for purposes of regulating the advertising activities of distributors effected by them in the mass media and directed at increasing product sales and expansion of distributor Team; for protecting consumers from untrustworthy information about products, and also for purposes of encouraging competition among PUGOS (hereinafter the PUGOS) distributors. The rules established by these Regulations are obligatory for all PUGOS distributors. The PUGOS reserves the right to change the rules presented below, having informed distributors of rule changes in a timely fashion.

1. For purposes of these Regulations, mass media is understood to mean a periodical print publication (such as a newspaper, magazine, almanac, bulletin, etc.), a television channel, radio station, or a site or Web page on the worldwide web, or the Internet, that periodically (not less than once a year) disseminates information for an undetermined circle of persons.

2. The advertising activities of a PUGOS distributor are understood as dissemination by him or by a third person on his behalf in the mass media of information about the prospects for doing business with the PUGOS, and also about its products and the possibilities for their acquisition.
3. A distributor has the right at his own discretion and observing the requirements established in Article 5 of these Regulations:
 - to conduct advertising activities in the mass media in any form convenient to him;
 - to utilize in his advertising materials information contained in the PUGOS 's official documents, in its advertising materials, and in the Distributor Manual;
 - to utilize PUGOS product brand names and trademarks in his advertising materials;
 - to utilize in his advertising materials information contained in PUGOS mass media - in the magazine at the Internet site (site address: www.pugos.in), under the obligatory condition that reference be made to these mass media;
 - to use advertising material designs pre-approved by the PUGOS in the manner provided for by these Regulations and
 - to utilize PUGOS trademarks in advertising materials.
4. **A distributor does not have the right:**
 - to utilize untrustworthy information about PUGOS products in advertising materials;
 - to mislead consumers with advertisements exaggerating the amount of their possible income from carrying out distributor activities and by claiming that receipt of income is guaranteed and takes place without an effort on the part of distributors
 - to utilize confidential information about the PUGOS or other distributors in advertising materials; or
 - to cause damage to other distributors or the PUGOS as a whole through his advertising materials.; or
5. A distributor's advertising activities in the mass media are allowed only after prior written permission from the PUGOS, Also, the distributor must be registered as an individual entrepreneur.
6. To obtain permission to place advertising materials in the mass media, the distributor is obligated to apply to the Distributorship Service in the country where the mass media in which he intends to place the advertising materials is registered, with a written application indicating the particular mass media and the approximate period of publication, appearance on television and/or radio, and placement on the Internet of the advertising materials, and a copy of his registration certificate as an individual entrepreneur.

The application may be submitted by the distributor personally or by another distributor in his name, and it may also be sent by mail (including fax) or by e-mail. The distributor must attach the following to his application:

- the complete text of the advertisement or article he intends to publish;
 - a cassette with the audio or video recording of the advertising materials which he intends to disseminate;
 - Complete printout of the content of the site or Web page he intends to place on the Internet along with the appropriate electronic address.
7. The Distributorship Service directs the application to the Legal Department in the given country, and the Legal Department examines it on the merits of the case for whether the information contained in the advertising materials accords with the PUGOS 's official documents, the data concerning its products, and the advertising materials emanating from the PUGOS.

When necessary, the Legal Department enters the appropriate corrections into the text of the advertising materials presented by the distributor for PUGOS approval. Corrections, changes, and additions entered into the advertising materials (both editorial changes and those relating to content) by the PUGOS 's experts and PUGOS recommendations with regard to the advertising materials absolutely must be taken into account by the distributor. The Legal Department directs a written reply to the distributor through the Distributorship Service.

8. Once the distributor receives the PUGOS 's permission to place the advertising materials in the mass media, he is obligated to publish it in the exact form indicated in the statement of permission, having made all necessary changes to the text of the advertising materials.
9. If the advertising materials are limited to reproduction of advertisements approved by the PUGOS 's national subdivisions, it is sufficient to inform a PUGOS employee about this while presenting a copy of a distributor's registration certificate as an individual entrepreneur.
10. The rules established by these Regulations also apply to brochures, booklets, books, and other printed materials which the distributor intends to publish for advertising purposes.
11. Distributors who have violated the manner for conducting advertising activities established by these Regulations or who have published advertising materials without the PUGOS 's permission or contrary to such permission, bear responsibility as provided for by the PUGOS 's Code of Ethics and are subject to civil and criminal liability as provided for by current legislation.

