

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION

In the Matter of)	
)	
PANDA HERBAL INTERNATIONAL,)	FILE NO. 002 3229
INC., a corporation,)	
also doing business as)	AGREEMENT CONTAINING
Viable Herbal Solutions, and)	CONSENT ORDER
)	
EVERETT L. FARR III,)	
individually and as an officer of)	
the corporation.)	

The Federal Trade Commission has conducted an investigation of certain acts and practices of Panda Herbal International, Inc., a corporation, also doing business as (“d/b/a”) Viable Herbal Solutions, and Everett L. Farr III, individually and as an officer of the corporation (“proposed respondents”). Proposed respondents are willing to enter into an agreement containing a consent order resolving the allegations contained in the attached draft complaint. Therefore,

IT IS HEREBY AGREED by and between Panda Herbal International, Inc., by its duly authorized officer, and Everett L. Farr III, individually and as an officer of the corporation, and counsel for the Federal Trade Commission (“Commission”) that:

- 1a. Proposed respondent Panda Herbal International, Inc. d/b/a Viable Herbal Solutions (“Panda”) is a Pennsylvania corporation with its principal office or place of business at 744 Walnut Avenue, Building 2, Bensalem, Pennsylvania 19020.
- 1b. Proposed respondent Everett L. Farr III is an officer of the corporate respondent. Individually or in concert with others, he formulates, directs, or controls the policies, acts, or practices of the corporation. His business address is 744 Walnut Avenue, Building 2, Bensalem, Pennsylvania 19020.
2. Proposed respondents admit all the jurisdictional facts set forth in the draft complaint.
3. Proposed respondents waive:
 - a. Any further procedural steps;

- b. The requirement that the Commission's decision contain a statement of findings of fact and conclusions of law; and
- c. All rights to seek judicial review or otherwise to challenge or contest the validity of the order entered pursuant to this agreement.

4. This agreement shall not become part of the public record of the proceeding unless and until it is accepted by the Commission. If this agreement is accepted by the Commission, it, together with the draft complaint, will be placed on the public record for a period of thirty (30) days and information about it publicly released. The Commission thereafter may either withdraw its acceptance of this agreement and so notify proposed respondents, in which event it will take such action as it may consider appropriate, or issue and serve its complaint (in such form as the circumstances may require) and decision in disposition of the proceeding.

5. This agreement is for settlement purposes only and does not constitute an admission by proposed respondents that the law has been violated as alleged in the draft complaint, or that the facts as alleged in the draft complaint, other than the jurisdictional facts, are true.

6. This agreement contemplates that, if it is accepted by the Commission, and if such acceptance is not subsequently withdrawn by the Commission pursuant to the provisions of Section 2.34 of the Commission's Rules, the Commission may, without further notice to proposed respondents, (1) issue its complaint corresponding in form and substance with the attached draft complaint and its decision containing the following order in disposition of the proceeding, and (2) make information about it public. When so entered, the order shall have the same force and effect and may be altered, modified, or set aside in the same manner and within the same time provided by statute for other orders. The order shall become final upon service. Delivery of the complaint and the decision and order to proposed respondents by any means specified in Section 4.4(a) of the Commission's Rules shall constitute service. Proposed respondents waive any right they may have to any other manner of service. The complaint may be used in construing the terms of the order. No agreement, understanding, representation, or interpretation not contained in the order or in the agreement may be used to vary or contradict the terms of the order.

7. Proposed respondents have read the draft complaint and consent order. They understand that they may be liable for civil penalties in the amount provided by law and other appropriate relief for each violation of the order after it becomes final.

ORDER

DEFINITIONS

For purposes of this order, the following definitions shall apply:

- A. Unless otherwise specified, “**respondents**” shall mean Panda Herbal International, Inc. doing business as Viable Herbal Solutions, a corporation, its successors and assigns and its officers; Everett L. Farr III, individually and as an officer of the corporation; and each of the above’s agents, representatives, and employees.
- B. “**Commerce**” shall mean as defined in Section 4 of the Federal Trade Commission Act, 15 U.S.C. § 44.
- C. “**Competent and reliable scientific evidence**” shall mean tests, analyses, research, studies, or other evidence based on the expertise of professionals in the relevant area, that have been conducted and evaluated in an objective manner by persons qualified to do so, using procedures generally accepted in the profession to yield accurate and reliable results.
- D. “**Product label**” shall mean any label or other written, printed, or graphic matter upon any product or accompanying any product, including package labels, bottle labels, and package inserts.
- E. “**Clear(ly) and prominent(ly)**” shall mean as follows:
1. In an advertisement communicated through an electronic medium (such as television, video, radio, and interactive media such as the Internet, online services and software), the disclosure shall be presented simultaneously in both the audio and visual portions of the advertisement. *Provided, however*, that in any advertisement presented solely through visual or audio means, the disclosure may be made through the same means in which the ad is presented. *Provided, further*, that in any advertisement communicated through interactive media which is presented predominantly through visual or audio means, the disclosure may be made through the same means in which the ad is predominantly presented. The audio disclosure shall be delivered in a volume and cadence sufficient for an ordinary consumer to hear and comprehend it. The visual disclosure shall be of a size and shade, with a degree of contrast to the background against which it appears, and shall appear on the screen for a duration and in a location, sufficiently noticeable for an ordinary consumer to read and comprehend it.
 2. In a print advertisement, promotional material, or instructional manual, the disclosure shall be in a type size and location sufficiently noticeable for an ordinary consumer to read and comprehend it, in print that contrasts with the background against which it appears. In multi-page documents, the disclosure shall appear on the cover or, alternatively, on the first page.

3. On a product label, the disclosure shall be in a type size and location sufficiently noticeable for an ordinary consumer to read and comprehend it and in print that contrasts with the background against which it appears. **Provided, however,** if a disclosure on a bottle label or package label is made in a location other than the principal display panel, the bottle label or package label shall include the statement, “**See important safety warning(s) on [insert disclosure location],**” as follows: (i) in a type size and location on the principal display panel sufficiently noticeable for an ordinary consumer to read and comprehend it; (ii) in print that contrasts with the background against which it appears; and (iii) within a border that is a color or shade that contrasts with the background against which it appears. **Provided further,** that in a multi-page insert, the disclosure shall appear on the cover page or first page.

Nothing contrary to, inconsistent with, or in mitigation of the disclosure shall be used in any advertisement or on any label.

F. In the case of advertisements disseminated by means of an interactive electronic medium, such as software, the Internet, or online services, “**in close proximity**” shall mean on the same Web page, online service page, or other electronic page, and proximate to the triggering representation, and shall not include disclosures accessed or displayed through hyperlinks, pop-ups, interstitials or other means.

G. “**Food,**” “**drug,**” and “**device**” shall mean as “food,” “drug,” and “device” are defined in Section 15 of the *FTC Trade Commission Act*, 15 U.S.C. § 55.

H. “**Covered product or service**” shall mean any service, program, dietary supplement, food, drug, or device.

I. “**Herbal Outlook product**” shall mean Panda’s Herbal Outlook or any other covered product or service for which the term “Hypericum Perforatum” or “St. John’s Wort” appears on the covered product or service label or in any advertising or promotion, and any covered product or service containing “Hypericum Perforatum” or “St. John’s Wort.”

J. “**HerbVeil 8 product**” shall mean Panda’s HerbVeil 8 or any covered product or service for which the term “HerbVeil 8” appears on the product label or in any advertising or promotion, any covered product or service containing “HerbVeil 8,” and any covered product or service promoted for the topical treatment of any cancer.

K. “**Purchaser for resale**” shall mean any purchaser of any of respondents’ Herbal Outlook product or HerbVeil 8 product, who: (a) is a distributor of, or operates a wholesale or retail business that sells, any such product(s); or (b) orders twenty (20) or more units of any such products(s) in any three (3) month period.

L. A requirement that respondents “**notify the Commission,**” “**file with the Commission**” or “**deliver to the Commission**” shall mean that the respondents shall send the necessary information via first-class mail, costs prepaid, to the Associate Director for Division of

U.S. Trade Commission, 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. Attention: In the Matter of Panda Herbal International, Inc.

M. “**Person**” shall mean a natural person, organization or other legal entity, including a partnership, corporation, proprietorship, association, cooperative, or any other group acting together as an entity.

ORDER

I.

IT IS ORDERED that respondents, directly or through any corporation, subsidiary, division, trade name, or other device, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of any Herbal Outlook product, or any covered product or service in or affecting commerce, shall not make any representation, in any manner, expressly or by implication, that ingestion of such product is effective in the treatment of HIV/AIDS, herpes simplex, tuberculosis, influenza, or hepatitis B infections unless, at the time the representation is made, respondents possess and rely upon competent and reliable scientific evidence that substantiates the representation.

II.

IT IS FURTHER ORDERED that respondents, directly or through any corporation, subsidiary, division, trade name, or other device, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of any HerbVeil 8 product, or any covered product or service in or affecting commerce, shall not make any representation, in any manner, that application of such product is effective in the treatment of any cancer unless, at the time the representation is made, respondents possess and rely upon competent and reliable scientific evidence that substantiates the representation.

III.

IT IS FURTHER ORDERED that respondents, directly or through any corporation, subsidiary, division, trade name, or other device, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of any Herbal Outlook product in or affecting commerce, shall not make any representation, in any manner, expressly or by implication, that ingestion of any Herbal Outlook product has no known contraindications or drug interactions.

IV.

IT IS FURTHER ORDERED that in any advertisement, promotional material, or product label for any Herbal Outlook product, that contains any representation about the efficacy, performance, or safety of such product, and in any discussion, communicated via electronic mail or any telephone line, that contains any representation about the efficacy, performance, or safety

of any Herbal Outlook product, respondents, directly or through any corporation, subsidiary, division, trade name, or other device, shall make clearly and prominently, the following disclosure:

WARNING: St. John's Wort can have potentially dangerous interactions with some prescription drugs. Consult your physician before taking St. John's Wort if you are currently taking anticoagulants, oral contraceptives, anti-depressants, anti-seizure medications, drugs to treat HIV or prevent transplant rejection, or any other prescription drug. This product is not recommended for use if you are or could be pregnant unless a qualified health care provider tells you to use it. The product may not be safe for your developing baby.

unless respondents possess competent and reliable scientific evidence that such product produces no adverse drug interactions or side effects.

Provided, however, that the **product label** requirements of this Part shall not apply to products that are shipped to consumers or purchasers for resale less than thirty (30) days after the date of service of this order; and, *provided further,* that with regard to products shipped after thirty (30) days of the date of service of this order, respondents may affix the disclosure clearly and prominently by sticker or other device on the labels of products manufactured prior to thirty (30) days after the service of this order.

Provided further, that in the event that the Food and Drug Administration issues a final rule requiring a warning on the labeling of products containing St. John's Wort, respondents may substitute that warning for the disclosure required under this Part.

V.

IT IS FURTHER ORDERED that respondents, directly or through any corporation, subsidiary, division, trade name, or other device, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of any Herbal Outlook product, HerbVeil 8 product, or any covered product or service in or affecting commerce, shall not make any representation, in any manner, expressly or by implication:

- A That such covered product or service is effective in the mitigation, treatment, prevention, or cure of any disease or illness; or
- B About the health benefits, performance, safety, or efficacy of any such covered product or service;

unless, at the time the representation is made, respondents possess and rely upon competent and reliable scientific evidence that substantiates the representation.

VI.

IT IS FURTHER ORDERED that respondents shall:

A. Within seven (7) days after service of this order upon respondents, deliver to the Commission a list, in the form of a sworn affidavit, of all purchasers for resale who purchased on or after January 1, 1999 an Herbal Outlook product, directly from respondents or indirectly through one of respondents' other purchasers for resale. Such list shall include each purchaser for resale's name and address, and, if available, the telephone number and email address of each purchaser for resale.

B. Within seven (7) days after service of this order upon respondents, deliver to the Commission a list, in the form of a sworn affidavit, of all consumers who purchased on or after January 1, 1999 an Herbal Outlook product, directly from respondents or indirectly through one of respondents' purchasers for resale. Such list shall include each consumer's name and address, and, if available, the telephone number and email address of each consumer.

C. Within seven (7) days after service of this order upon respondents, deliver to the Commission a list, in the form of a sworn affidavit, of all purchasers for resale who purchased on or after January 1, 1999 an HerbVeil 8 product, directly from respondents or indirectly through one of respondents' other purchasers for resale. Such list shall include each purchaser for resale's name and address, and, if available, the telephone number and email address of each purchaser for resale.

D. Within seven (7) days after service of this order upon respondents, deliver to the Commission a list, in the form of a sworn affidavit, of all consumers who purchased on or after January 1, 1999 an HerbVeil 8 product, directly from respondents or indirectly through one of respondents' other purchasers for resale. Such list shall include each consumer's name and address, and, if available, the telephone number and email address of each consumer and the full purchase price, including shipping, handling, and taxes, of any HerbVeil 8 product purchased from respondent.

E. Within thirty (30) days after service of this order upon respondents, send by first class mail, with postage prepaid, an exact copy of the notice attached hereto as Attachment A, showing the date of mailing, to each purchaser for resale who purchased respondents' Herbal Outlook and/or HerbVeil 8 products between January 1, 1999 and the date of service of this order. This mailing shall not include any other document.

F. Within thirty (30) days after service of this order upon respondents, send by first class mail, with postage prepaid, an exact copy of the notice attached hereto as Attachment B, showing the date of mailing, to each consumer who purchased respondents' Herbal Outlook and/or HerbVeil 8 products between January 1, 1999 and the date of service of this order. This mailing shall not include any other document.

VII.

IT IS FURTHER ORDERED that respondents shall refund the full purchase price of HerbVeil 8 products purchased from respondents between January 1, 1999 and the date of service of this order, including shipping and handling and applicable taxes, to each consumer whose request for a refund is received by Panda within ninety (90) days after the date of mailing shown on Attachment B. To receive a refund the consumer must substantially complete a Refund Request in the form of the Refund Request appended to Attachment B and return it to Panda at the address indicated thereon. The refund shall be paid within fifteen (15) business days of respondents' receipt of the consumer's substantially completed declaration.

VIII.

IT IS FURTHER ORDERED that respondents shall, no later than one hundred and eighty (180) days after the date of service of this order, deliver to the Commission a report, in the form of a sworn affidavit executed on behalf of respondents. This report shall specify the steps respondents have taken to comply with the terms of Parts VI and VII of this order and shall state, without limitation:

- A. The name and address of each purchaser to whom respondents sent the notice attached hereto as Attachment A as required under Part VI E;
- B. The name and address of each consumer to whom respondents sent the notice attached hereto as Attachment B as required under Part VI F;
- C. The name and address of each consumer from whom respondents received a refund request;
- D. The date on which each request was received and the amount of the refund requested;
- E. The amount of the refund provided by respondents to each such consumer;
- F. The status of any disputed refund request and the identification of each consumer whose refund request is disputed, by name, address, and amount of the claim; and
- G. The total amount of refunds paid by respondents.

IX.

IT IS FURTHER ORDERED that respondents, directly or through any corporation, subsidiary, division, trade name, or other device, shall:

- A. Take reasonable steps sufficient to monitor and ensure that all employees and

agents engaged in sales, order verification, or other customer service functions comply with Parts I through V of this order. Such steps shall include adequate monitoring of all advertisements, promotions, sales presentations, and other oral and written communication with customers regarding such products. Respondents, at a minimum, shall:

1. Conduct periodic monitoring of representations concerning any Herbal Outlook and HerbVeil 8 products, and any other covered product or service, made by persons engaged in sales or other customer service functions, including representations made orally or through electronic communications;
2. Conduct periodic monitoring of representations made about any Herbal Outlook and HerbVeil 8 products, and any other covered product or service, on all Internet websites operated and maintained by respondents; and
3. Establish a procedure for receiving, maintaining, and responding to consumer complaints.

B. Terminate any employee or agent who knowingly engages in any conduct prohibited by Parts I through V of this order once respondents know or should know that such person is or has been engaged in such conduct.

X.

IT IS FURTHER ORDERED that respondents, directly or through any corporation, subsidiary, division, trade name, or other device, shall:

A. For a period of five (5) years following the entry of this order, send a copy of the notice attached hereto as Attachment A by first class certified mail, return receipt requested, to any purchaser for resale of any Herbal Outlook or HerbVeil 8 product, *provided, however*, that the requirements of this Part X A shall not apply to any purchasers for resale who received a copy of the notice attached hereto as Attachment A pursuant to the requirements of Part VI E of this order.

B. Institute a reasonable program of surveillance adequate to reveal whether any of respondents' purchasers for resale are:

1. Disseminating advertisements or promotional materials that contain any representation about any Herbal Outlook or HerbVeil 8 product or any other covered product or service manufactured by or purchased from any respondent, that is prohibited by Parts I , II, III, and V of this order; or
2. Disseminating advertisements or promotional materials or distributing

respondents' Herbal Outlook product without the advertising and labeling disclosure required pursuant to Part IV of this order.

C. Terminate all sales of Herbal Outlook and HerbVeil8 products and any other covered product or service to any purchaser for resale who is engaged in:

1. Disseminating advertisements or promotional materials that contain any representation about any Herbal Outlook or HerbVeil 8 product or any other covered product or service manufactured by or purchased from any respondent, that is prohibited by Parts I, II, III, and V of this order; or

2. Disseminating advertisements or promotional materials or distributing respondents' Herbal Outlook product without the advertising and labeling disclosure required pursuant to Part IV of this order;

once respondents know or should know that the purchaser for resale is or has been engaged in such conduct.

XI.

Nothing in this order shall prohibit respondents from making any representation for any drug that is permitted in labeling for such drug under any tentative final or final standard promulgated by the Food and Drug Administration, or under any drug application approved by the Food and Drug Administration. Nor shall it prohibit respondent from making any representation for any product that is specifically permitted in labeling for such product by regulations promulgated by the Food and Drug Administration pursuant to the Nutrition Labeling and Education Act of 1990.

XII.

IT IS FURTHER ORDERED that respondent Panda, and its successors and assigns, and respondent Everett L. Farr III shall, for five (5) years after the last date of dissemination of any representation covered by this order, maintain and upon request make available to the Federal Trade Commission for inspection and copying:

A. All advertisements and promotional materials containing the representation;

B. All materials that were relied upon in disseminating the representation; and

C. All tests, reports, studies, surveys, demonstrations, or other evidence in their possession or control that contradict, qualify, or call into question the representation, or the basis relied upon for the representation, including complaints and other communications with consumers or with governmental or consumer protection organizations.

XIII.

IT IS FURTHER ORDERED that respondent Panda, and its successors and assigns, and respondent Everett L. Farr III, shall deliver a copy of this order to all current and future principals, officers, directors, and managers, and to all current and future employees, agents, and representatives having responsibilities with respect to the subject matter of this order, and shall secure from each such person a signed and dated statement acknowledging receipt of the order. Respondents shall deliver this order to current personnel within thirty (30) days after the date of service of this order, and to future personnel within fifteen (15) days after the person assumes such position or responsibilities.

XIV.

IT IS FURTHER ORDERED that respondent Panda and its successors and assigns shall notify the Commission at least thirty (30) days prior to any change in the corporation that may affect compliance obligations arising under this order, including but not limited to a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor corporation; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this order; the proposed filing of a bankruptcy petition; or a change in the corporate name or address. *Provided, however*, that, with respect to any proposed change in the corporation about which respondent learns less than thirty (30) days prior to the date such action is to take place, respondent shall notify the Commission as soon as is practicable after obtaining such knowledge.

XV.

IT IS FURTHER ORDERED that respondent Everett L. Farr III, for a period of ten (10) years after the date of issuance of this order, shall notify the Commission of the discontinuance of his current business or employment, or of his affiliation with any new business or employment. The notice shall include respondent's new business address and telephone number and a description of the nature of the business or employment and his duties and responsibilities.

XVI.

IT IS FURTHER ORDERED that respondent Panda and its successors and assigns, and respondent Everett L. Farr III shall, within sixty (60) days after the date of service of this order, and at such other times as the ~~the~~ Trade Commission may require, file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with this order.

XVII.

This order will terminate twenty (20) years from the date of its issuance, or twenty (20) years from the most recent date that the United States or the ¹/₂ Trade Commission files a complaint (with or without an accompanying consent decree) in federal court alleging any violation of the order, whichever comes later; **provided, however**, that the filing of such a complaint will not affect the duration of:

- A. Any Part of this order that terminates in less than twenty (20) years;
- B. This order's application to any respondent that is not named as a defendant in such complaint; and
- C. This order if such complaint is filed after the order has terminated pursuant to this Part.

Provided, further, that if such complaint is dismissed or a federal court rules that the respondent did not violate any provision of the order, and the dismissal or ruling is either not appealed or upheld on appeal, then the order will terminate according to this Part as though the complaint had never been filed, except that the order will not terminate between the date such complaint is filed and the later of the deadline for appealing such dismissal or ruling and the date such dismissal or ruling is upheld on appeal.

Signed this _____ day of _____, 2001.

PANDA HERBAL INTERNATIONAL, INC.

By: _____
Everett L. Farr III, Chief Executive Officer

EVERETT L. FARR III, individually and as an
officer of Panda Herbal International, Inc.

Michael Joel Bloom
Senior Counsel to the
Northeast Region
¹/₂ Trade Commission

Donald G. D'Amato
Assistant Director
Northeast Region
U.S. Trade Commission

Susan M. Luciano
Attorney
Northeast Region
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APPROVED:

Barbara Anthony
Director
Northeast Region
U.S. Trade Commission

Jodie Bernstein
Director
Bureau of Consumer Protection
U.S. Trade Commission

ATTACHMENT A

[Insert Date]

Dear [Insert Name]

This letter is to inform you that Panda Herbal International, Inc., also doing business as Viable Herbal Solutions, recently settled a civil dispute with the Federal Trade Commission regarding its advertising for Herbal Outlook and HerbVeil 8 products. Panda has sold these products both directly to consumers and through resellers. Among other things, **the settlement requires us to notify all purchasers of serious drug interactions that may attend use of St. John's Wort products**, and to instruct resellers to stop using advertising or promotional materials that make any of the representations prohibited by the settlement. Importantly, **the settlement requires us to monitor our resellers and terminate all sales to any reseller who disseminates advertising or promotional materials that expressly or by implication make any claims about our Herbal Outlook or HerbVeil 8 products that we may not make pursuant to the order.**

The FTC complaint alleges that Panda engaged in deceptive advertising of its Herbal Outlook and HerbVeil 8 products, and the FTC order imposes various requirements on Panda in connection with its past and future advertising of these and other products.

- **Herbal Outlook.**

According to the FTC complaint, our advertising materials (which are used by many of our resellers) claimed, expressly or by implication, that ingestion of Herbal Outlook, a dietary supplement that includes, among other ingredients, St. John's Wort, is effective in the treatment of HIV/AIDS, herpes simplex, tuberculosis, influenza, and hepatitis B infections and has no known contraindications or drug interactions. The complaint challenges these claims. In particular, the FTC notes that ingestion of St. John's Wort may reduce the effectiveness of some prescription drugs, including, for example, drugs used in the treatment of HIV/AIDS.

The FTC order prohibits us from making any of the challenged claims unless we have competent and reliable scientific evidence to support them. In addition, it requires us to make a specified safety disclosure in any advertisement of any product such as Herbal Outlook that contains St. John's Wort unless we have competent and reliable scientific evidence that the product has no adverse drug interactions or side effects. This disclosure must state the following clearly and prominently:

WARNING: St. John's Wort can have potentially dangerous interactions with some prescription drugs. Consult your physician before taking St. John's Wort if you are currently taking anticoagulants, oral contraceptives, anti-depressants, anti-seizure medications, drugs to treat HIV or prevent transplant rejection, or any other prescription drug. This product is not recommended for use if you are or could be pregnant unless a qualified health care provider tells you to use it. The product may not be safe for your developing baby.

- **HerbVeil 8.**
The FTC complaint also alleges that our advertising expressly or implicitly claimed that HerbVeil 8 is effective in the treatment of carcinomas, adenocarcinomas, and melanomas, and that we did not have competent and reliable scientific evidence for those claims. The FTC order prohibits our making those claims unless we have competent and reliable scientific evidence to support them.
- **All Foods, Drugs, Dietary Supplements, Devices, Programs, or Services.**
In addition, the FTC order provides that, in connection with the advertising of any covered product or service, which the order defines as any food, drug, dietary supplement, device, program, or service, we must not claim that such covered product or service is effective in the mitigation, treatment, prevention, or cure of any disease or illness or make any claim about the health benefits, performance, safety, or efficacy of any such covered product or service unless we have competent and reliable scientific evidence to support such claims.

In addition, the FTC order requires us, among other things, to provide the FTC with purchaser information and to monitor and terminate all sales to resellers making prohibited claims for our Herbal Outlook and HerbVeil 8 products, whether expressly or by implication.

If you have any questions, please contact [Insert Name and Telephone Number of Attorney or Officer of Panda]. Thank you for your anticipated cooperation and assistance.

Sincerely,

Everett L. Farr III, President
Panda Herbal International, Inc.

copy: Associate Director, Division of
Bureau of Consumer Protection
Trade Commission
Washington, D.C. 20580

ATTACHMENT B

[Insert Date]

Dear [Insert Name]

This letter is to inform you that Panda Herbal International, Inc., also doing business as Viable Herbal Solutions, recently settled a civil dispute with the Federal Trade Commission regarding its advertising for Herbal Outlook and HerbVeil 8 products. Panda has sold these products both directly to consumers and through resellers. Among other things, **the settlement requires us to offer refunds to purchasers of HerbVeil 8 products and to notify purchasers of St. John's Wort products of serious drug interactions that may result from use of those products. Refund instructions are contained in the last page of this letter.**

According to the FTC complaint, our advertising materials (which are used by many of our resellers) claimed, expressly or by implication, that ingestion of Herbal Outlook, a product that contains, among other ingredients, St. John's Wort, is effective in the treatment of HIV/AIDS, herpes simplex, tuberculosis, influenza, and hepatitis B infections and has no known contraindications or drug interactions. The complaint challenges these claims. In particular, the FTC notes that ingestion of St. John's Wort may reduce the effectiveness of some prescription drugs, including, for example, drugs used in the treatment of HIV/AIDS.

The FTC order prohibits us from making any of the challenged claims unless we have competent and reliable scientific evidence to support them. In addition, it requires us to make the following safety disclosure in any advertisement of any product such as Herbal Outlook that contains St. John's Wort product:

WARNING: St. John's Wort can have potentially dangerous interactions with some prescription drugs. Consult your physician before taking St. John's Wort if you are currently taking anticoagulants, oral contraceptives, anti-depressants, anti-seizure medications, drugs to treat HIV or prevent transplant rejection, or any other prescription drug. This product is not recommended for use if you are or could be pregnant unless a qualified health care provider tells you to use it. The product may not be safe for your developing baby.

The FTC complaint also alleges that our advertising expressly or implicitly claimed that HerbVeil 8 is effective in the treatment of carcinomas, adenocarcinomas, and melanomas, and that we did not have competent and reliable scientific evidence for those claims.

Sincerely,

Everett L. Farr III, President
Panda Herbal International, Inc.

**HERBVEIL 8 PRODUCTS
REFUND CONDITIONS AND PROCEDURES**

Panda Herbal International, Inc. ("Panda"), also doing business as Viable Herbal Solutions, will refund the full purchase price of HerbVeil 8 products purchased from Panda between January 1, 1999 and [insert effective date of order], including shipping and handling and applicable taxes, to each consumer whose request for a refund is received by Panda within ninety (90) days after the date of this letter. To receive your refund you must complete the attached Refund Request and return it to Panda at [insert address].

REFUND REQUEST

The undersigned hereby requests a refund for the purchase of *HerbVeil 8* products.

Full Name (Please Print): _____

Address: _____

Product(s) Purchased: _____

Purchase Price, including shipping, handling, and taxes: _____

It is not necessary to include proof of purchase, such as credit card statements, canceled checks, or receipts, but doing so may expedite your refund request in the event of a dispute concerning the amount of your refund.

Signature of Purchaser: _____

Date: _____