In the Matter of

REEF INDUSTRIES, INC., a corporation, d/b/a REEFCBD.COM and REEF WELLNESS,

CANNATERA, INC., a corporation,

ANDHEMP, LTD., a limited company,

ANDREW M. BOUCHIE , individually and as an officer of REEF INDUSTRIES, INC., CANNATERA, INC., and ANDHEMP, LTD.,

JOHN R. CAVANAUGH , individually and as an officer of REEF INDUSTRIES, INC., and

SHAUN PAQUETTE, individually and as an officer of REEF INDUSTRIES, INC., CANNATERA, INC., and ANDHEMP, LTD.

FILE NO. 202 3064

AGREEMENT CONTAINING

IT IS HEREBY AGREED by and between Proposed Respondents and Staff:

1. The Proposed Respondents are:

   a. Proposed Respondent

4. This Consent Agreement will not become part of the public record of the proceeding unless and until it is accepted by the Commission

REEF INDUSTRIES, INC.

By:_____
President

Date:_____

CANNATERA, INC.

ANDREW M. BOUCHIE

By:_____
Andrew M. Bouchie, individually and as an officer of Reef Industries, Inc., Cannatera, Inc., and AndHemp, Ltd.

Date:_____

JOHN R. CAVANAUGH

By:_____
John R. Cavanaugh, individually and as an officer of Reef Industries, Inc.

Date:_____

SHAUN PAQUETTE

By:_____
Shaun Paquette, individually and as an officer of Reef Industries, Inc., Cannatera, Inc., and AndHemp, Ltd.

Date:_____

_____
Robert Hindin
Robert Hindin & Associates
Attorney for Proposed Respondents

Date:_____

202 3064

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Joseph J. Simons, Chairman
Noah Joshua Phillips
Rohit Chopra
Rebecca Kelly Slaughter
Christine S. Wilson

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DECISION AND ORDER

DOCKET NO. C-

## DECISION

The Federal Trade Commission ("Commission") initiated an investigation of certain acts and practices of the Respondents named in the caption. The Commission's Bureau of Consumer Protection ("BCP") prepared and furnished to Respondents a draft Complaint. BCP proposed to present the draft Complaint to the Commission for its consideration. If issued by the Commission, the draft Complaint would charge the Respondents with violations of the Federal Trade Commission Act.

Respondents and BCP thereafter executed an Agreement Containing Consent Order ("Consent Agreement"). The Consent [illegible]

e. Respondent John R. Cavanaugh is an officer, director, and principal shareholder of Reef Industries, Inc. Individually or in concert with others, he formulates, directs, or controls the policies, acts, or practices of Reef Industries, Inc. His principal office or place of business is the same as that of Reef Industries, Inc.

f. Respondent Shaun Paquette is an officer and director of Reef Industries, Inc., officer of Cannatera, Inc., and co-owner of AndHemp, Ltd. Individually or in concert with others, he formulates, directs, or controls the policies, acts, or practices of Reef Industries, Inc., Cannatera, Inc., and AndHemp, Ltd. His principal office or place of business is the same as that of Reef Industries, Inc.

2. The Commission has jurisdiction over the subject matter of this proceeding and over the Respondents, and the proceeding is in the public interest.

ORDER

DEFINITIONS

For purposes of this Order, the following definitions apply:

A. "CBD Product" means any Dietary Supplement, Food, or Drug containing cannabidiol.

B. "CBG Product" means any Dietary Supplement, Food, or Drug containing cannabigerol.

C. "Covered Product" means any Dietary Supplement, Food, or Drug, including but not limited to CBD Products or CBG Products.

D. "Dietary Supplement" means: (1) any product labeled as a dietary supplement or otherwise represented as a dietary supplement; or (2) anioveood[n a9(B)7 (tl (t)-2 (a)4 (r)-,4 (nn

F. “Essentially Equivalent Product” means a product that contains the identical ingredients, except for inactive ingredients (e.g., inactive binders, colors, fillers, excipients) in the same form and dosage, and with the same route of administration (e.g., orally, sublingually), as the Covered Product, *provided that* the Covered Product may contain additional ingredients if reliable scientific evidence generally accepted by experts in the field indicates that the amount and combination of additional ingredients is unlikely to impede or inhibit the effectiveness of the ingredients in the Essentially Equivalent Product.

G.

(OCD), panic disorder, Parkinson’s disease, post-traumatic stress disorder

For any test conducted, controlled, or sponsored, in whole or in part, by Respondents, Respondents must establish and maintain reasonable procedures to protect the confidentiality, security, and integrity of any personal information collected from or about participants. These procedures must be documented in writing and must contain administrative, technical, and physical safeguards appropriate to Corporate Respondents' size and complexity, the nature and scope of Respondents' activities, and the sensitivity of the personal information collected from or about the participants.

## IV. PROHIBITED MIS REPRESENTATIONS REGARDING TESTS, STUDIES, OR OTHER RESEARCH

IT IS FURTHER ORDERED that Respondents, Respondents' officers, agents, employees, and attorneys, and all other persons in active concert or participation with any of them, who receive actual notice of this Order, whether acting directly or indirectly, in connection with the manufacturing, labeling, advertising, promotion, offering for sale, sale, or distribution of any product must not misrepresent, in any manner, expressly or by implication:

A. That any Covered Product is scientifically proven to treat acne, arthritis, autoimmune disease, cancer, childhood epilepsy, chronic inflammation, chronic insomnia, colitis, chronic pain (including chronic pain from fibromyalgia, multiple sclerosis, or cancer), Crohn's disease, damage to the colon due to chemotherapy, depression, epilepsy, gingivitis, heart disease, irritable bowel syndrome (IBS), multiple sclerosis (MS), neurological and age-related disorders (including cerebral ischemia), obsessive compulsive disorder (OCD), panic disorder, Parkinson's disease, post-traumatic stress disorder (PTSD), psoriasis, seizures, social anxiety disorder, or stroke;

B. That any Covered product is scientifically proven to prevent acne, heart disease, seizures, skin cancer, or skin infections;

C. That the performance or benefits of any product are scientifically or clinically proven or otherwise established; or

D. The existence, contents, validity, results, conclusions, or interpretations of any test, study, or other research.

## V. FDA-APPROVED CLAIMS

IT IS FURTHER ORDERED that nothing in this Order prohibits Respondents, Respondents' officers, agents, employees, and attorneys, and all other persons in active concert or participation with any of them from:

A. For any Drug, making a representation that is approved in labeling for such Drug under any tentative final or final monograph promulgated by the Food and Drug

the Complaint. Any money not used is to be deposited to the U.S. Treasury. Respondents have no right to challenge any activities pursuant to this Provision.

E. In the event of default on any obligation to make payment under this Order, interest, computed as if pursuant to 28 U.S.C. § 1961(a), shall accrue from the date of default to the date of payment. In the event such default continues for 10 days beyond the date that payment is due, the entire amount will immediately become due and payable.

F. Each day of nonpayment is a violation through continuing failure to obey or neglect to obey a final order of the Commission and thus will be deemed a separate offense and violation for which a civil penalty shall accrue.

G. Respondents acknowledge that their Taxpayer Identification Numbers (Social Security or Employer Identification Numbers), which Respondents have previously submitted to the Commission, may be used for collecting and reporting on any delinquent amount arising out of this Order, in accordance with 31 U.S.C. § 7701.

## VIII. CUSTOMER INFORMATION

IT IS FURTHER ORDERED that Respondents must directly or indirectly provide sufficient customer information, including sufficient identification of all resellers, to enable the Commission to efficiently administer consumer redress. If all purchasers of Respondents' CBD Products. If a representative of the Commission requests in writing any information related to redress, Respondents must provide it, in the form prescribed by the Commission representative, within 14 days.

## IX. NOTICES TO CUSTOMERS

IT IS FURTHER ORDERED that Respondents must notify customers as follows:

A. Respondents must identify all consumers who purchased CBD Products on or after January 1, 2019 ("eligible customers").

1. Such eligible customers, and their contact information, must be identified to the extent such information is in Respondents' possession, custody or control, including from third parties such as resellers;

2. Eligible customers include those identified at any time, including after Respondents' execution of the Agreement through the eligibility period, which runs for 1 year after the issuance date of the Order.

B. Respondents must notify all identified eligible customers by mailing each a notice:

1. The letter must be in the form shown in Attachment A.

## XI. ACKNOWLEDGMENTS OF THE ORDER

IT IS FURTHER ORDERED that Respondents obtain acknowledgments of receipt of this Order:

A. Each Respondent, within 10 days after the effective date of this Order, must submit to the Commission an acknowledgment of receipt of this Order sworn under penalty of perjury.

B. For 20 years after the issuance date of this Order, each Individual Respondent for any

the Order obtained pursuant to this Order, unless previously submitted to the Commission.

2. Additionally, each Individual Respondent must: (a) identify all his telephone numbers and all his physical, postal, email and Internet addresses, including a residences; (b) identify all

## XIII. RECORDKEEPING

IT IS FURTHER ORDERED that Respondents must create certain records for 20 years after the issuance date of the Order, and retain each such record for 5 years, unless otherwise specified below. Specifically, Corporate Respondents and each individual Respondent for any business that such Respondent, individually or collectively with any other Respondents, is a majority owner or controls directly or indirectly, must create and retain the following records:

A. Accounting records showing the revenues from all goods or services sold, the costs incurred in generating those revenues, and resulting net profit or loss;

B. Personnel records showing, for each person providing services in relation to any aspect of the Order, whether as an employee or otherwise, that person's: name; addresses; telephone numbers; job title or position; dates of service; and (if applicable) the reason for termination;

C. Copies or records of all consumer complaints and refund requests, whether rece1 ( a)re f 54er

## XIV. COMPLIANCE MONITORING

IT IS FURTHER ORDERED that, for the purpose of monitoring Respondents' compliance with this Order:

A. Within 10 days of receipt of a written request from a representative of the Commission, each Respondent must: submit additional compliance reports or other requested information, which must be sworn under penalty of perjury, and produce records for inspection and copying.

B. For matters concerning this Order, representatives of the Commission are authorized to communicate directly with each Respondent. Respondents must permit representatives of the Commission to interview anyone

*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

ATTACHMENT A TO THE ORDER

CLAIMS ABOUT PRODUCTS CONTAINING CBD

***In the Matter of Reef Industries, Inc., et al.***

<Date>

Subject: [*Insert name of product customer will recognize*]

<Name of customer>

<mailing address of customer

including zip code>

Dear <Name of customer>:

Our records show that you bought [names of products] from [our company *or other name consumers will recognize – the retailer, perhaps*]. We are writing to tell you that the Federal Trade Commission (FTC), the nation's consumer protection agency, has charged us with deceptive or false advertising.

Specifically, the FTC sued [our company *or other name consumers will recognize – the retailer, perhaps*] for making misleading claims that our CBD products can effectively prevent, cure, treat, or ease serious diseases and health conditions, including the following

Acne; Alzheimer's disease; arthritis; autoimmune disease; cancer; celiac disease; childhood epilepsy; chronic inflammation; chronic insomnia; chronic pain (including chronic pain from fibromyalgia, multiple sclerosis, and cancer), colitis; Crohn's disease; damage to the colon due to chemotherapy; depression; diabetes; eczema; epilepsy; gingivitis; heart disease; insulin resistance; irritable bowel syndrome (IBS); lupus; multiple sclerosis; neurodegenerative disorders; neurological and related disorders (including cerebral ischemia); obsessive-compulsive disorder (OCD); panic disorder; Parkinson's disease; post-traumatic stress disorder (PTSD); psoriasis; rosacea; seizure disorders; skin cancer; skin infections; social anxiety disorder; and stroke.

To settle the FTC's lawsuit, we're contacting our customers to tell them that we don't have proof that our CBD products will effectively prevent, cure, treat, or improve the serious diseases and health conditions listed above.

As a part of this lawsuit, you may be entitled to a refund. Please visit [URL] for more information about refunds. If you have other questions about this lawsuit, visit [add URL].

CBD oil and other alternative treatments might be harmful to your medical care, and could interfere with your prescriptions. CBD products could also be dangerous if you take them

with other medicines or at a high dose. Talk to your doctor before you take any treatments or stop any prescriptions. For more information about protecting yourself from bogus health product claims visit ftc.gov/health.

[signature]

[*identify Respondent/Defendant or other person responsible for signing the notification letter*]

ATTACHMENT B to the Order – Envelope Template:

The envelope for the notification letter must be in the following form, with the underlined text completed as directed:

[*Identify Respondent*
*Street Address*
*City, State and Zip Code*]

FORWARDING AND RETURN POSTAGE GUARANTEED ADDRESS CORRECTION SERVICE REQUESTED

[name and
mailing address of customer
including zip code]

ABOUT YOUR PURCHASE OF [NAME PRODUCT]