



# **CBD-Intel**

*Regulatory and Market Intelligence for the CBD Sector*

# FTC-targeted company remains defiant, sees administrative fine as a victory

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The CEO of one company targeted by the US Federal Trade Commission (FTC) in the first ever group of fines handed down by the government agency to CBD companies considers the event to be a David and Goliath victory of sorts.

Steven Schultheis, CEO of Steves Distributing saw the final order against his company carrying a \$75,000 fine unanimously ratified by a 4-0 vote from the FTC commissioner panel. The panel – normally five people but down to four following the resignation of the former Republican chairperson – did provide two dissensions in part from acting chairwoman Rebecca Slaughter and [resigning](#) commissioner Rohit Chopra.

The FTC declined to say what the dissensions in part were about. Chopra's was presumably related to his previous written dissenting statement where he said the FTC should be more focused on the for-profit opioid industry and on the actions of larger companies, rather than relatively minuscule CBD firms with little influence in the grand scheme of things. He also noted it should take care to not apply too strict a standard of scientific substantiation to the consumer CBD industry when there is some basis of scientific support for CBD's uses in health-related areas.

"I am concerned that we have largely ignored Congressional concerns about unlawful opioid treatment practices. I urge my fellow Commissioners to change course on our enforcement priorities, especially given our limited resources," Chopra said at the time.

Schultheis fully supported this. He said the FTC went after his company because it was an easy target and a small fish that would not fight back. He added that his company's claims were made to educate consumers on the potential benefits of CBD and that there were significantly worse false advertising claims out there.

"In this instance, they went after us because we were an easy target that was never afraid to educate people about this amazing plant," he told CBD-Intel. "We educated individuals and companies on the benefits of CBD. We're not afraid, nor will I let the FTC make me afraid of offering cannabinoids to people that want them. The FTC went after Steve's Goods because we're not Jeff Bezos [and] Amazon.com."

### **First 'large-scale FTC crackdown'**

The FTC said Steves had sold CBD and CBG products, which it advertised as being effective alternatives to prescription medications. It also said they could treat a wide range of serious diseases and conditions including Alzheimer's disease, cancer, and diabetes as well as reducing the risk of heart attacks and strokes. Steves also said the products had antibacterial properties but none of these claims were supported by scientific evidence, the FTC said.

However, none of these claims were that outlandish and their publication came from good intent, Schultheis claimed. Schultheis said he further viewed the fine as a victory because the FTC originally wanted to sue for \$8m, which was whittled down to the \$75,000 levied plus no admittance of any wrong-doing. "I don't want to brag here, but that is a 94% reduction," he said.

"There is so much false advertising; it is really messed up," he added. "We were the last company to settle. We got pretty much everything we wanted, and I didn't have to agree I did anything wrong. I think that was worth \$50k in legal fees."

The FTC confirmed its approval of the final administrative consent orders against Steves Distributing and five other CBD companies that formed the first large-scale FTC crackdown on CBD sellers – termed [Operation CBDceit](#).

Each of the respondents agreed to a proposed administrative consent order settling the FTC's charges. The orders both prohibited them from the allegedly illegal conduct detailed in the respective complaint and required several respondents to pay money to the FTC.

The Commission votes approving final consent orders against Bionatrol Health and HempmeCBD were each 5-0.

The votes approving the final consent orders against Epichouse LLC (First Class Herbalist CBD), CBD Meds, and Reef Industries were also 4-0 each following the resignation of former chairperson Joseph Simons.

**What This Means:** As the FTC's press office does not speculate on what the Commission will do in the future in any given area, only time will reveal the future of CBD enforcement. If consumer confidence and trust in providers was dented through the actions of these companies, only significant and widespread change from sellers along with continued enforced accountability on the biggest transgressors by regulators will restore it.

– Jamie Valentino *CBD-Intel contributing writer*

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