



Laura Smith &lt;lsmith@truthinadvertising.org&gt;

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**Re: Deceptive Advertising by Stansberry & Associates Investment Research, LLC.**

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Nicole Fisher [REDACTED]  
To: "lsmith@truthinadvertising.org" <lsmith@truthinadvertising.org>

Mon, Mar 17, 2014 at 1:59 PM

Dear Ms. Smith,

I am writing to you on behalf of Stansberry & Associates Investment Research, LLC ("Stansberry"). We are in receipt of your letter dated March 11, 2014, and would like to address your concerns regarding our marketing.

First, it's important to note that Stansberry's publications and authors do not engage in personalized investment advice for subscribers. They are therefore exempted from the definition of investment adviser under the publisher's exemption of the Investment Adviser's Act of 1940 ("The Act"). See *Lowe v. SEC*, 472 U.S. 181 (1985). As such, Stansberry's marketing is not subject to affirmative disclaimers addressing the risks of investing, as would be required of a licensed advisor under The Act.

Although your letter did not direct us to the particular promotions which caused concern, I will attempt to provide clarity on the issues you mentioned.

Omissions of material information from testimonials. Your letter states that the testimonials included on our website do not warn of the risks associated with investing. The customer testimonials we publish are taken directly from the testimonials our customers have submitted to us. For their privacy, we change the names of the customers to aliases. We correct inconsequential spelling and grammar errors, and choose excerpts to publish, but take care not to materially alter the original message's content. In fact, as shown below, we often *soften* praise. Although much of our marketing material does address the inherent risks of investing, customer testimonials would not be the place to find these warnings. Rather, our reliance is on the overall context of the promotions, which tend to be lengthy and full of many details. Unlike other advertisements, our services do not promote their products by a simple testimonial alone.

Your letter also cites the lack of dates and rates of returns within these testimonials. Since the testimonials are written from customers who are not following any particular format for comment submissions, they frequently do not contain the rate of return or the exact dates of the trades. However, it's worth noting that the company exercises a very liberal refund policy for customers, and new customers have immediate access to the archives and track records for the publication. Customers can quickly and easily judge for themselves the likelihood of achieving any results mentioned in promotions, and cancel if they wish.

Testimonials do not appear to represent typical results. You mention that some testimonials claim extraordinary rates of return, all above the S&P 500 average for the last ten years, and some over 100%. In a recent promotion that we think you may be referencing, we are writing on the topic of royalty company investments. In discussing the potential value of the strategy, and after citing some historical gains from this type of investment, we say:

Of course those returns are great.

But the real question is, how have these royalty streams performed for real world investors? Has anyone actually seen such enormous gains with these royalty streams?

Here are a few people who've written in recently on the subject:

Jay M. of Montauk, NY told us: "This has been my most rewarding investment in recent years. I've made gains in excess of \$300,000."

Ken H. from Damascus, MD said: "If you don't do this, you're missing the boat. I have made approximately \$60,000 - \$70,000. Easily the best investment I've ever made."

Nick G. from Tulsa, OK told us, "I'm sitting on more than \$1.6 MILLION thanks to this secret. This is a long-term investment that I'm not touching."

Ralph S. of Junction City, CO. said, "I like the idea of sitting back and collecting the revenue streams... I'm up over 335% so far!"

All of the quotes above are directly taken from our subscribers' emails. They wrote to us to tell us their experience with royalty investments. In fact, many of the testimonials received heaped high praise on our service and editor, but Stansberry toned down the praise in an effort to present a more responsible and balanced picture to potential customers.

You state that other testimonials assume large initial investments not typical for the types of consumers represented, such as the sales clerk, former truck driver, or child mentioned in one promotion. We do not think there would be any confusion that these examples are from current subscribers, since the language of this promotion about royalties suggests otherwise from the very beginning of the piece.

About the truck driver (referring to truck driver Dickie Rambo whose story was told in the Arkansas Times), it says, "Just listen to the story of a man named David Rice.. Rice stumbled upon a new way to generate large amounts of income..." and continues with, "I'll tell you exactly what this secret source is in just a moment, and the easiest and most lucrative way I've been able to find for you to get in on the action." The marketing never suggests that Rice is a subscriber.

The sales clerk is yet another reference to oil royalties, and uses the story found in this article, [http://usatoday30.usatoday.com/news/nation/2008-06-30-1901614534\\_x.htm](http://usatoday30.usatoday.com/news/nation/2008-06-30-1901614534_x.htm), which says:

In less than a year, Stohler and his wife, Lorene, 82, have become millionaires from the production of one well on their land near Dunn Center, a mile or so from the sod home where Oscar grew up. A second well has begun producing on their property and another is being drilled – all aimed at the Bakken shale formation, a rich deposit that the U.S. Geological Survey calls the largest continuous oil accumulation it has ever assessed.

Landowners in western North Dakota have a much better chance of striking it rich from oil than they do playing the lottery, say the Stohlers. Some of their neighbors in the town of about 120, from bar tenders to Tupperware salespeople, have become "overnight millionaires" from oil royalty payments.

"It's the easiest money we've ever made," said Lorene Stohler, who worked for decades as a sales clerk at a small department store.

Likewise, the 10-year old referenced in the promotion refers to a Washington Post story out of Muskagee, OK, about

oil royalties from the Creek Indian equalization payments. In all cases, it is abundantly clear that these are not subscribers whose stories we share.

Suspicious about authenticity. Your letter states that some of our testimonials are located in more than one place on our website, and under different aliases, raising questions as to their authenticity. As mentioned above, the names of our customers are changed when we publish their testimonials to protect their privacy. Since our staff contains a great many writers, the new names are not always identical, but the name of the customer is not material to the reader. Rather, it's the accuracy of the track record that matters. Each testimonial appears only once per marketing offer. A potential customer may read multiple offers and see the same testimonial appear, but only because the testimonial corresponds to that particular editor or publication that is the subject of both offers. If we were ever required to produce the original testimonial provided by a customer, we have retained those in our files and they would be made available for inspection.

False and misleading information. Your letter asserts that our Retirement Millionaire newsletter claimed that it would provide information about obtaining "free silver" from U.S. banks, when the silver is not free and is present in only half dollars issued before 1971. The topic of this promotion is the ability for any person to visit a bank and request to exchange some amount of paper money for that same amount in half dollars, with there being a chance that the person could be given one of the coins that contains 90% pure silver. Since the promotion clearly states that we are referring to coins "originally produced during the early part of the 20<sup>th</sup> century" and that the "free silver" is in reference to its value above the actual legal tender value of the half dollar, I fail to see what could be construed as false or misleading.

For example, if a person were to exchange \$10 of paper money and receive even one pre-1965 coin, at the current price of silver that's a more than 250% return on the initial \$10 (which was never at risk). The silver is free because it has a bonus value above the legal tender amount. And if the person's roll of half dollars is nothing but post-1971 coins, they've lost nothing through their efforts. The fact that this technique is true and effective is demonstrated by the great number of testimonials Stansberry has received from customers who took the editor's advice and requested silver dollars from their banks. A few of these testimonials are featured in the promotion you reference:

"Doc, you're a genius! I never thought this would work. But it did! I tried it, and to my surprise, I got 34 silver coins from a single bank. Needless to say, I'm going back for more! Thanks for the great idea!"

I also heard from a guy named Charles D., from Cincinnati, OH. Charles tried the "5 magic words" at a small Credit Union in his hometown. He told us:

"I went to a local Credit Union and got 10 free silver coins. This is a pretty good idea. I will spend tomorrow going to other banks... Thanks a lot for the great idea."

Ernie and Norma McDonald, from Sarasota, FL used the "5 magic words" at a small bank near their home. Here's what they had to say:

"My wife and I bank at a small community bank and actually own stock in the enterprise, so we're known by all of the local staff. She stopped in one day and, while making a deposit, was able to get 7 of these silver coins."

The promotion cautions readers that we estimate the technique to work only about 25% of the time, and that it will become increasingly difficult to find the high-silver coins as time goes on. It also informs readers that the strategy requires some research and legwork on their part.

3/18/2014

Truth In Advertising Mail - Re: Deceptive Advertising by Stansberry & Associates Investment Research, LLC.

Notwithstanding the above, as is noted in Porter's letter attached, we'll be making some changes to our marketing. If your organization requires further information, please feel free to contact me directly at [REDACTED] or [REDACTED].

Very truly yours,

Nicole Fisher, Esq.



**Letter from Porter.pdf**

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