Dear Ms. Smith,

I was troubled by your letter (received via e-mail March 11, 2014).

My lawyers urged that we respond by detailing the prevailing regulations on our content in a point-by-point reply. They've drafted such a letter, and we intend to send it as soon as we can complete our internal investigation of your claims.

In the meantime, however, I wanted to tell you personally that I was upset to learn your organization has concerns about our website or some of our marketing pieces. I sincerely appreciate you bringing these matters to my attention. Your work will help me to improve my business.

Fifteen years ago, when I was only 26 years old, I started this business from my kitchen table. I did so on a borrowed laptop. I was living in a $500-a-month walk-up apartment on the corner of Eutaw Place and North Avenue – as close to the center of Baltimore's drug and prostitution economy as you can be without living literally in a crack house. I didn't have to watch *The Wire.* I was living there.

Like so many other ambitious young people, I wanted to pursue a career in finance. What I saw at the time (1999), though, made me sick. My friends who worked for Wall Street banks were being paid to lie – intentionally, not inadvertently – about the relative merits of the companies where their own firms were heavily invested. Everyone in finance knew this, except, of course, the individual investors. Those who relied on this advice from their brokers ended up owning overhyped investments, which went to zero as soon as the bankers had sold.

The independent financial publishers were hardly any better. Almost every single publisher I knew took money from stock promoters to write glowing reviews of stocks that were frauds or involved in other nefarious business practices – like buying e-mail addresses for marketing purposes (spam). Most newsletter publishers invested so little in editorial quality that they were essentially negligent in publishing laughably bad information on investing. Again, everyone in the industry knew this, but the investing public did not.

I figured my opportunity lay in doing what neither group would do: Independently offering research on investment ideas (like newsletters), but spending heavily on the quality of our work (like investment banks). I don't think you would be surprised to learn that my approach has worked. Within about five years, my company was among the largest and most profitable in the newsletter industry. Today, I believe we are by far the largest.

The entire time I've been in business, I've always followed a simple ethical rule: *If I wouldn't want my father to read one of our advertising pieces or newsletters, we don't print it.*

This approach has led us to seek long-term relationships with our subscribers. Today, we have the largest number of subscribers in our industry who've signed up *forever.* Rather than relying on our marketing efforts to earn our renewal income – you should know that renewal income is the lifeblood of just about every publishing concern – many of our subscribers (tens of thousands) pay a large one-time fee and then receive all of our products for a low annual fee for as long as they want them.

Keep in mind… these lifetime subscriptions, along with every other subscription we sell, comes with a *money-back guarantee.*

Thus, our goal as a business isn't to fool (or mislead) anyone. Our goal is to showcase the quality of our editorial work and create a passionate interest in our business. That interest must be rewarded by high-quality and *valuable* editorial ideas, presented in a way that's enjoyable to read.

We believe our greatest competitive advantage is the *quality* of our writing, the *integrity* of our business, and the *ability* of our analysts.

We capitalize on these advantages by doing things editorially that most other investment advisors and other newsletter publishers can't do.

For example, each year we publish a "Report Card" that showcases all of our recommended investment returns (nothing left out) over various periods of time, based on market cycles. And we don't merely bombard the readers with data. We give each product we publish a risk-adjusted grade. When we do poorly, we don't pull punches.

I believe in this approach so much that in 2012 I gave the newsletter that I write personally an "F." My results were not that bad, but I badly botched the timing on two different important trends. Our subscribers deserved much better from me. No sense trying to hide that fact.

In short… we live in a glass house. We have archives showing subscribers every issue of every newsletter we publish. We have track records on the back page of almost everything we write. And we perform thorough and complete annual reviews of our performance. To my knowledge, no other financial publisher (or investment house) stresses accountability and transparency the way my firm does.

The simple fact is, if we don't match the promises of our marketing with the quality of our editorial or if we even inadvertently mislead anyone, we lose money.

If we disappoint our customers for any reason, they can demand refunds. And we can lose a substantial amount of money – far more than they've paid us, in fact.

After all, we've lost the sale. And we've lost the money we spent to get the sale, process the order, process the refund, and cover all of the overhead spent to maintain business for that period. We've also lost something far more important – our ability to renew this customer or have him (or her) choose to become a lifetime subscriber, which is the true heart of my company's economic engine.

The market-based disincentives to using misleading advertising are poorly understood by nearly everyone outside my company. You and others may find our marketing *hyperbolic, implausible,* or even, *misleading.* But… if these views were widely shared by our audience, my company would quickly go bankrupt.

Warren Buffett's advice when confronting a serious problem in business that may harm his company's reputation is to always do four things:

1. Learn everything about what the problem is and how it happened.
2. Get that information out to all concerned groups: customers, employees, business partners, shareholders, and the press.
3. Fix the problem.
4. Sin no more.

Judging by your letter, it appears we may have made a few mistakes in the marketing materials on our websites. That's extremely frustrating for me… as I've spent a lot of time and money trying to build systems in my business to manage this content. And as I explained above, transparency and integrity are at the core of my personal beliefs and our business practices.

My lawyers want to argue that the items you list in your letter weren't material and thus shouldn't be a concern for me or you. But it is a concern to me… because it is contrary to the way I intend to do business and the way we've built this company. Furthermore, I know that when you begin to allow small mistakes, it won't be long before you've got to deal with big mistakes.

I constantly reiterate to my employees, my partners, and our subscribers that the most valuable asset my company owns is the trust of our readers. If we lose that, we've lost everything. And unless you constantly manage toward a goal, it will be forgotten.

So… in one way… I greatly appreciate your letter.

As I finish typing this note, I'm joining a conference call of our legal, marketing, and copywriting teams to address the issues you brought to my attention. I plan to follow Buffett's advice: Find out what went wrong, tell everyone about it, fix it, and sin no more.

It's hard to tell from your letters which testimonials may have been accidently duplicated, so we are auditing our entire database of testimonials. We are going to fix these problems as soon as possible and take whatever actions are necessary to make sure this doesn't happen again – including replacing staff where necessary. I will communicate the importance of this effort and make eliminating mistakes like this a top priority for my management team.

If you’re interested in following our progress, I’m happy to keep you informed – that’s step No. 2.

Again, I appreciate your help. We are moving, aggressively, to address all of these issues.

Regards,

Porter Stansberry