

January 9, 2018

By Electronic (lsmith@truthinadvertising.org) and Regular Mail

Laura Smith, Esq.
Legal Director
Truth in Advertising, Inc.
P.O. Box 927
Madison, CT 06443

Re: Princess House, Inc. Alleged Deceptive Marketing

Dear Ms. Smith:

We are counsel to Princess House, Inc. (“Princess House”). Princess House has requested that we reply on its behalf to your letter dated December 18, 2017 in which you allege that Princess House has or is making false and unsubstantiated income claims.

Princess House takes your allegations seriously. However, our client strongly disagrees with your depiction of the company and its business practices.

Princess House sells its products through a network of over 20,000 independent sales consultants each of whom conducts his or her own personal business. Ethical business practices are a core corporate principal of the company which is highlighted to prospective and existing sales consultants.

While the earning opportunity associated with an independent business is undoubtedly a focal point of Princess House’s marketing activities directed toward prospective consultants, the Company’s webpage which includes earnings illustrations, qualifies such illustrations with the disclaimer: *“This is not a representation of what you may or will earn. Actual earnings will differ from person to person, depending on individual efforts and skill, customer base and time devoted to the business.”* See the attached screenshot from www.princesshouse.com.

Similarly, the Independent Consultant Application which must be submitted by all new consultants states, in pertinent part, the following:

I will not engage in any deceptive, false, unethical or unlawful consumer or recruiting practice or violate any applicable laws or regulations... In my activities to recruit other persons to become independent Princess House Consultants I will not make any statements about earning potential that are not truthful and accurate or that are deceptive in any manner.

Various business policies and procedures, including Social Media Digital Marketing Policies and Procedures (“Marketing Policies”), are incorporated in the Independent Consultant

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Application, and the Application further states: “Any claims made by me about my Princess House business, including, without limitation, claims pertaining to earnings ability or product-related claims, shall be in accordance with the Policies.”

The following is an excerpt from the Marketing Policies:

Truthfulness in Online Postings

It is your obligation to ensure your postings and other online marketing activities are truthful, not deceptive and not misleading for Customers or potential Consultants in any way. Postings that are false, deceptive or misleading are prohibited. This includes, but is not limited to, false or deceptive postings relating to the Princess House income opportunity, Princess House’s products and services, and/or your biographical information and credentials. You should have documentation to support statements made by you and be prepared to make such documentation available to Princess House or the DSA Code of Ethics Administrator.

The Princess House income opportunity: Any statements regarding your success as a Princess House Consultant must be accompanied by disclaimers to the effect that (i) actual earnings can vary significantly depending upon the time devoted to the business, individual’s efforts and skill level and other factors; (ii) not all Princess House Consultants achieve the same levels of income; (iii) operating a successful business will require incurring expenses which will reduce income. You should disclose how much time you devote to your business, on average, and how long you have been developing your business.

Princess House bolsters the foregoing guidelines and ethical business practices generally through training sessions conducted on-line and at annual sales consultant conventions and through regional meetings held with sales representative leaders.

Your December 18, 2017 letter links to a database “containing a sampling of inappropriate income claims”, consisting of 24 items, as to which we note the following:

1. Most of the sampling consists of screenshots from webpages maintained by independent sales consultants as opposed to Princess House.
2. The majority of the samplings are dated earlier than 2017 and many are dated in 2013 and 2014.

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3. A review of those items not directly attributable to Princess House indicates that only two were posted by active sales consultants and that several may be attributable to sales consultants of either Princess House Canada or Princess House Australia, both of which are inactive and neither of which was owned or controlled by Princess House.

4. Many do not make income claims, and your letter's allegation that those which make claims about income do so in a false and misleading manner is a stretch at best.

5. Those of the sampling which may be attributed to Company marketing materials (see attached) do not include income claims.

We further note that in June 2016 your organization posted an article titled "DSA Award Winners Are Ethics Code Violators." This article focused on a TINA.org investigation into four Direct Selling Association award winners. Three of the four companies were found by you to be violating the DSA Code of Ethics in addition to state and federal law. The article states: "*The fourth company that TINA.org investigated, Princess House, was not found to be making illegal health or income claims.*"

Curiously, only a year and half later, citing to a threadbare sampling of social media postings, many of which appeared well before June 2016, your characterization of the business practices of Princess House was markedly different. Why?

Rather than illustrating a pattern of false and misleading conduct causing "real and substantial harm to consumers," the total of 24 items selected from social media postings by Princess House and through a scouring of postings made by Princess House independent sales consultants (who number in the thousands) and sales consultants of companies unaffiliated with Princess House over a period of more than five years, actually demonstrate that Princess House is doing an exemplary job in conducting its own marketing and policing the marketing of its independent consultant network, with an objective of maintaining sound and ethical business practices.

Personnel in the Princess House corporate headquarters monitor personal webpage postings by independent consultants, notify consultants whose posts are regarded in violation of either the Direct Selling Association Code of Ethics or Princess House company policy, take measures to educate violators regarding appropriate social media postings and terminate the engagements of repeat violators. In addition, the company has, from time to time, contacted Facebook and other social media platforms regarding the removal of inappropriate posts. Due to the number of individuals involved and the expanding use of, and number of social media platforms, it goes without saying that on occasion a post which departs from appropriate standards may escape detection.

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In sum, “false and unsubstantiated claims” more aptly characterizes your allegations lodged against Princess House as opposed to the business practices of Princess House and its sales consultants.

On behalf of our client we request that you retract the December 18, 2017 letter and delete all references to Princess House in your webpage posting of “DSA Companies’ Income Claims Database.”

Princess House welcomes your initiative in redressing actual and persistent incidents of misleading trade practices by some companies in the direct selling industry. Moving forward, we submit that it would be appropriate for you to share with the Company examples of what you characterize as inappropriate marketing practices and request a dialogue regarding same.

A public shaming of an ethically diligent member of the industry without any prior contact of this nature is, simply stated, poor conduct if your activities as a consumer watchdog are to be respected.

Very truly yours,



Lawrence A. Goldman
Director

LAG/

Enclosures

cc: Connie Tang, President and CEO
Princess House, Inc.

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You're in Control



SET YOUR GOALS



MAKE YOUR SCHEDULE



SAVE ON YOUR FAVORITES

What can you earn?

Your earnings grow with every party and every sale.

Based on an average party with \$500 in Customer Sales



YOU'LL HOLD
4 PARTIES PER MONTH

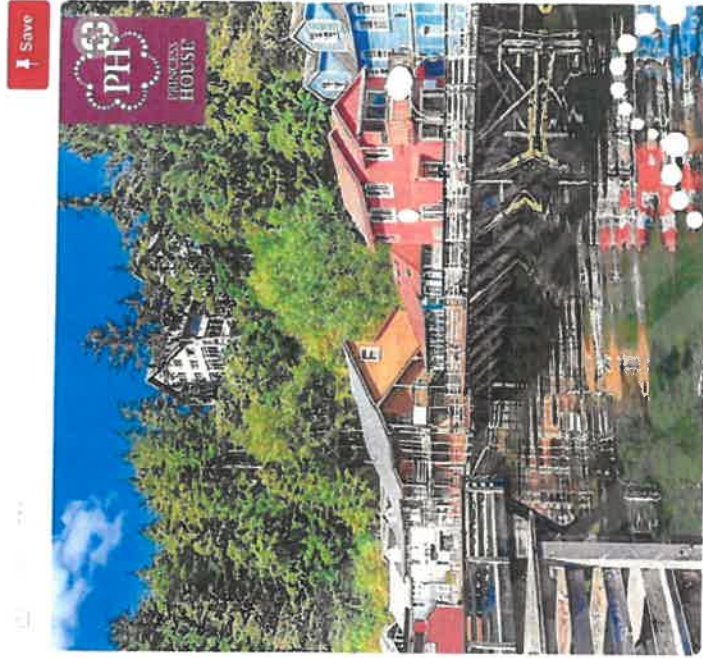
THAT'S JUST
1 PARTY PER WEEK

\$500
MONTHLY EARNINGS
With the Potential to Earn Much More

*Based on an average party with \$500 in Customer Sales. This is not a representation of what you may, or will earn. Actual earnings will differ from person to person depending on individual efforts and 24/7 customer base and time devoted to the business. Earnings may include bonuses.



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EXPERIENCE THE WONDERS OF ALASKA



VANCOUVER, CANADA



TRACY ARM FJORD, ALASKA



KETCHIKAN, ALASKA



CONTACT ONE OF OUR CONSULTANTS TO FIND OUT HOW YOU CAN JOIN!

*The estimated earnings set forth above are not a representation or guarantee of what you may or will earn. There is no guarantee that a Consultant will earn any income or qualify for Princess House trips and/or incentives. Actual earnings and trip eligibility depend, among other things, on individual efforts and skill, customer base, and time devoted to the business and may differ significantly from person to person. You should not rely on the success of other Consultants as indicative of your earning potential or opportunity to receive eligibility.

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