

Division of Securities
Utah Department of Commerce
160 East 300 South
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801) 530-6980

BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF:

PROSPERITY INVESTMENT, LLC
PROSPERITY CAPITAL, LLC
BRANDON MARK MCBRIDE
DOUGLAS KENT BROOKS
JOHN LEWIS WEBSTER
COREY JAMES WOOD

Respondents.

STIPULATION AND CONSENT
ORDER

Docket No. SD-08-0009
Docket No. SD-08-0010
Docket No. SD-08-0011
Docket No. SD-08-0012
Docket No. SD-08-0013
Docket No. SD-08-0014

The Utah Division of Securities (the Division), by and through its Director of Enforcement, Michael Hines, represented by the Utah Attorney General's Office, and Prosperity Investment, LLC and Brandon Mark McBride, represented by Bryan R. Farris, hereby stipulate and agree as follows:

1. Prosperity Investment, LLC (Prosperity Investment) and Brandon Mark McBride (McBride) were the subject of an investigation conducted by the Division into allegations

that they violated certain provisions of the Utah Uniform Securities Act (the Act), Utah Code Ann. § 61-1-1, *et seq.*, as amended.

2. In connection with that investigation, on January 31, 2008, the Division issued an Order to Show Cause to Prosperity Investment, LLC, Prosperity Capital, LLC, Brandon Mark McBride, Douglas Kent Brooks, John Lewis Webster, and Corey James Wood, alleging securities fraud. The administrative actions against Prosperity Capital, LLC, Douglas Kent Brooks, John Lewis Webster, and Corey James Wood are currently pending.
3. Prosperity Investment, McBride, and the Division have agreed to settle this matter by way of this Stipulation and Consent Order (Consent Order).
4. Prosperity Investment and McBride are represented by attorney Bryan Farris and are satisfied with the representation they have received.
5. Prosperity Investment and McBride admit the jurisdiction of the Division over them and over the subject matter of this action.
6. Prosperity Investment and McBride waive any right to a hearing to challenge the Division's evidence and present evidence on their behalf.

THE DIVISION'S INVESTIGATIVE FINDINGS

From approximately June 2007 through January 2008, the Division conducted an investigation into this matter which revealed the following:

7. Prosperity Investment was registered as a Utah limited liability company on October 21,

2005, and its entity status is currently “active.” Brandon Mark McBride is the manager of Prosperity Investment.

8. McBride resides in Utah County, Utah.
9. In 2005, McBride collected \$80,500 from one investor, who invested in Prosperity Investment.
10. The investor was told that his money would be invested in real estate, that there was very little risk involved, and that he would receive interest of 2 or 3% per month.
11. The investor received a promissory note in return for his investment.

Investor AC

12. In October or November 2005, an agent for Prosperity Investment (the Agent) told AC about an investment opportunity involving McBride and McBride’s company Prosperity Investment.
13. The Agent told AC if he invested money with Prosperity Investment, it would be invested into a FranklinSquires¹ hard-money fund, which would then be used to invest in real estate having 20-30% equity. The Agent told AC the equity would be stripped from the real estate and used to purchase more real estate or invested elsewhere.
14. The Agent spoke in general terms to AC regarding how the equity would be used, and

¹ According to the FranklinSquires website (<http://franklinsquires.com/index.php>), visited October 1, 2007, “FranklinSquires” refers to FranklinSquires Companies, LLC, a “private capital and business consulting firm.”

provided AC with no specific details.

15. The Agent told AC he would receive a promissory note from McBride in return for an investment. The Agent said the promissory note would pay interest of 2% per month.
16. The Agent also told AC there was very little risk involved in the investment with McBride and Prosperity Investment.
17. The Agent encouraged AC to contact other investors for a referral, including the Agent's parents and brother-in-law.
18. The Agent told AC that Prosperity Investment was doing great and people were making money.
19. The Agent told AC that Prosperity Investment would not accept small investments, and AC would need to invest a large amount. The Agent did not specify a minimum investment amount.
20. On or about November 13, 2005, AC met with McBride in the FranklinSquires building in Utah County. McBride told AC about FranklinSquires' credit partner program, along with some details about the investment in Prosperity Investment.
21. AC contacted the Agent to ask a few more questions about the investment. The Agent became upset with AC and told AC the Agent was letting AC invest in Prosperity Investment as a "favor." The Agent told AC he did not want to "jump through hoops" to bring people into the investment, especially since AC was not investing as much as other

investors.

22. After this conversation, AC decided to invest with Prosperity Investment.
23. On or about November 14, 2005, AC met McBride at the FranklinSquires building in Utah County and invested \$13,000 with Prosperity Investment by giving McBride a personal check made payable to a company called TSS Investments, LLC. AC was not told why the check should be made payable to TSS, and was given no information about TSS, other than that an individual by the name of Sonny Jensen was a principal of TSS.
24. From late November through December 2005, AC invested an additional \$67,500 with Prosperity Investment, either by personal check made payable to Prosperity Investment or by wire transfer to Prosperity Investment's bank account, for a total investment of \$80,500.
25. Another investor, JW, pooled \$19,500 of his own funds with AC's \$80,500 for a total investment of \$100,000.
26. In January 2006, in return for the \$100,000 investment from AC and JW, McBride gave AC a \$100,000 promissory note. The promissory note is in AC's name alone, states an interest rate of 2.5% per month, and was signed by McBride in the presence of AC.
27. After AC invested, he received monthly interest checks in the mail from McBride. AC gave JW his proportionate share of each interest payment.
28. In January or February 2006, the Agent and McBride parted ways, and the Agent started

his own company.

29. On or about April 26, 2006, AC withdrew his funds from Prosperity Investment. McBride gave AC a personal check for \$82,518 (includes prorated interest) made payable to AC.

Misrepresentations and Omissions

30. In connection with the offer and sale of Prosperity Investment securities, Prosperity Investment and McBride, directly or indirectly, made false statements, including, but not limited to, the following:
- a. There was very little risk involved, when in fact, Prosperity Investment and McBride had no reasonable basis on which to make this representation; and
 - b. Prosperity Investment would not accept small investments of money, when in fact, Prosperity Investment and McBride had no reasonable basis on which to make this representation.
31. In connection with the offer and sale of securities, Prosperity Investment and McBride, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:
- a. Why AC's \$13,000 investment in Prosperity Investment was paid to TSS Investments, LLC; and

- b. Some or all of the information typically provided in an offering circular or prospectus regarding Prosperity Investment such as:
- i. The business and operating history for Prosperity Investment;
 - ii. Financial statements for Prosperity Investment;
 - iii. The market for Prosperity Investment's service(s);
 - iv. The nature of the competition for the service(s);
 - v. The current capitalization for Prosperity Investment;
 - vi. Risk factors for investors;
 - vii. The number of other investors;
 - viii. The minimum capitalization needed to participate in the investment;
 - ix. The disposition of any investments received if the minimum capitalization were not achieved;
 - x. The liquidity of the investment;
 - xi. Discussion of pertinent suitability factors for the investment;
 - xii. Any conflicts of interest the issuer, the principals, or the agents may have with regard to the investment;
 - xiii. Agent commissions or compensation for selling the investment;
 - xiv. Whether the investment is a registered security or exempt from registration; and

- xv. Whether the person selling the investment is licensed.

THE DIVISION'S CONCLUSIONS

- 32. Based on the Division's investigative findings, the Division concludes that:
 - a. The promissory note offered and sold by Prosperity Investment and McBride is a security under § 61-1-13 of the Act; and
 - b. Prosperity Investment and McBride violated § 61-1-1 of the Act by making misrepresentations of material facts and by omitting to state material facts in connection with the offer and sale of a security.

- 33. Prosperity Investment and McBride neither admit nor deny the substance of the Division's investigative conclusions but consent to the Division entering an Order:
 - a. Requiring Prosperity Investment and McBride to cease and desist from engaging in any conduct in violation of the Utah Securities Act.
 - b. Requiring Prosperity Investment and McBride to pay no fine so long as they:
 - i. Provide continuing truthful testimony and cooperation (including production of documents) with any State or Federal investigation involving or related to FranklinSquires or TSS Investments, LLC, and
 - ii. Violate no provision of the Utah Securities Act for a period of EIGHTEEN Months from the execution of this Consent Order.
 - c. Requiring Prosperity Investment and McBride to pay a fine, jointly and severally,

of twenty five thousand dollars (\$25,000) to the Division, if they fail to abide by the terms of section 33(b). Payment of this fine would be due within one month of the Division's written notice to Prosperity Investment and McBride, notifying them of the failure to abide by 33(b).

34. Prosperity Investment and McBride acknowledge that this Consent Order, upon approval by the Division Director, shall be the final compromise and settlement of this matter. Prosperity Investment and McBride further acknowledge that if the Division Director does not accept the terms of the Consent Order, it shall be deemed null and void and without any force or effect whatsoever.
35. Prosperity Investment and McBride acknowledge that the Consent Order does not affect any civil or arbitration causes of action that third parties may have against them arising in whole or in part from his actions, and that the Consent Order does not affect any criminal cause of action that a prosecutor might bring.
36. This Consent Order constitutes the entire agreement between the parties herein and supersedes and cancels any and all prior negotiations, representations, understandings, or agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect this Consent Order in any way.
37. Prosperity Investment and McBride represent that any information they have provided to the Division is accurate and complete to the best of their knowledge.

38. Violation of this Consent Order is a third degree felony pursuant to § 61-1-21(1) of the Act.

39. Prosperity Investment and McBride have read this Consent Order, understand its contents, and enter into this Consent Order voluntarily.

Utah Division of Securities

Date: 12/2/08
By: [Signature]
Michael Hines
Director of Enforcement

Respondent Prosperity Capital
By: [Signature]
Its: Manager
Date: 12/02/08

Respondent McBride
Date: 12/02/08
By: [Signature]
Brandon Mark McBride

Approved:

[Signature]
D. Scott Davis
Assistant Attorney General

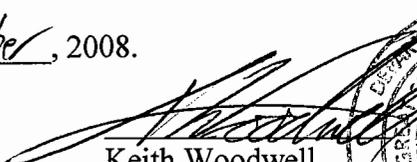
[Signature]
Bryan Farris
Attorney for Prosperity Capital and McBride

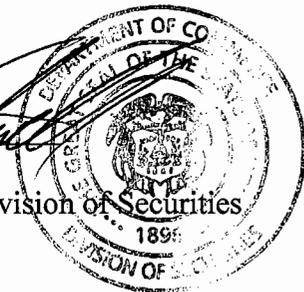
ORDER

Pursuant to the terms of the Stipulation and Consent Order defined above, the Director of the Utah Division of Securities hereby orders that:

- a. Prosperity Investment and McBride cease and desist from engaging in any conduct in violation of the Utah Securities Act.
- b. Prosperity Investment and McBride pay no fine so long as they:
 - i. Provide continuing truthful testimony and cooperation (including production of documents) with any State or Federal investigation involving or related to FranklinSquires or TSS Investments, LLC, and
 - ii. Violate no provision of the Utah Securities Act for a period of eighteen months from the execution of this Consent Order.
- c. If Prosperity Investment and McBride fail to abide by the terms of section 33(b), they are ordered to pay a fine, jointly and severally, of twenty five thousand dollars (\$25,000) to the Division. Payment of this fine would be due within one month of the Division's written notice to Prosperity Investment and McBride, notifying them of the failure to abide by 33(b).

DATED this 10th day of December, 2008.


Keith Woodwell
Director, Utah Division of Securities



Certificate of Mailing

I certify that on the 16TH day of DECEMBER, 2008, I mailed, by certified mail, a true and correct copy of the Stipulation and Consent Order to:

Prosperity Investment, LLC
C/O Brandon Mark McBride
1592 W. 1970 N.
Provo, UT 84604

Certified Mailing # 70041160000301963724

Bryan Farris, Attorney
3549 N. University Ave. #275
Provo, UT 84604

Certified Mailing # 70041160000301963731

MAILED DECEMBER 11, 2008

PAM RABZINSKI
Executive Secretary