Joseph Jardine, USB No. 8889
David L. Crowley, USB No. 6712
JARDINE LAW OFFICES, P. C.
39 Exchange Place, Suite 101
Salt Lake City, Utah 84111
Telephone: 801/350-3506
Fax: 801/746-3508

Attorneys for Respondents:
Prosperity Capital, LLC
Douglas Kent Brooks
John Lewis Webster
Corey James Wood

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.**	**ANSWER OF RESPONDENTS:** **PROSPERITY CAPITAL, LLC** **DOUGLAS KENT BROOKS** **JOHN LEWIS WEBSTER** **COREY JAMES WOOD** Docket No. SD 08-0010 (Prosperity Capital) Docket No. SD 08-0012 (D. Brooks) Docket No. SD 08-0013 (J. Webster) Docket No. SD 08-0014 (C. Wood)

The Respondents, **DOUGLAS KENT BROOKS, JOHN LEWIS WEBSTER,** and **COREY JAMES WOOD**, (herein collectively the "Respondents") by and through their attorney, Joseph Jardine, JARDINE LAW OFFICES, P.C., hereby respond to the Notice of Agency Action in the above-entitled matter as follows:

RESPONDENTS' STATEMENT OF THE FACTS

The following statement of background facts provides context for understanding the allegations that have been made against Brooks, Webster and Wood. This statement of facts is based either on the knowledge of one or more of the Respondents, and/or upon information and belief.

1. Douglas Kent Brooks ("Brooks") and Brandon Mark McBride ("McBride") have been friends for some time. Brooks and McBride talked frequently. Within 2005, McBride began telling Brooks of things he was learning about real estate investing. Brooks learned that one of the sources of McBride's information about real estate investing was the company, FranklinSquires, in which McBride's brother-in-law, Sonny Jensen, was a principle.
2. Brooks understood that McBride started Prosperity Investment, LLC, to implement the real estate strategies he had learned and/or make short term loans to other such investors.
3. McBride and Brooks had many conversations, as friends, which sometimes included discussions about what McBride was doing with Prosperity Investment, LLC.
4. Brooks trusted (and still trusts) McBride and believed that McBride was honest, had learned effective strategies for real estate investing, and was putting those strategies to good use through his company, Prosperity Investment, LLC.
5. Brooks learned that McBride was looking for individuals who would be willing to lend money to Prosperity Investment, LLC for investments in real estate with the agreement to be paid back with interest at 20-30% per annum.

6. Based on conversations with McBride, Brooks believed that Prosperity Investment, LLC represented a sound business model and a good opportunity to make a significant return on one's money by loaning it to Prosperity Investment.

7. Brooks, believing that his friend, McBride, had found a profitable strategy for real estate investing, began sending referrals to Prosperity Investment, LLC. These referrals included his parents and sister as well as the father of a friend.

8. Brooks' parents, sister and his friend's father met or communicated with McBride/Prosperity Investment, LLC and/or Sonny Jensen to learn about the real estate investment strategies that Prosperity Investment, LLC was using.

9. Brooks' parents, sister and friend's father discussed the terms of the loans with McBride and/or Sonny Jensen.

10. Based on the information learned from McBride, Brooks' parents, sister, and his friend's father loaned money to Prosperity Investment, LLC and received notes back.

11. Thereafter, Brooks learned that his parents, sister, and friend's father were receiving significant monthly interest payments on their notes from Prosperity Investment. LLC, as agreed in the notes.

12. Brooks and AC are childhood friends, since 6th grade and spoke often as friends.

13. On a few occasions Brooks talked with AC about McBride's company, Prosperity Investment, LLC.

14. Because of his friendship with AC, Brooks wanted to share what he knew of the success that McBride was having, and of the positive results his family and friends

were getting with Prosperity Investment, LLC.

15. Brooks never represented that he was an employee of Prosperity Investment, LLC or otherwise attempted to conduct a presentation or close a deal with AC.

16. Brooks was an outsider, communicating to his friend AC about the success his friend, McBride, was having, and the significant interest being paid to Brooks' family and friends on their notes from Prosperity Investment, LLC.

17. All of the conversations between Brooks and AC regarding McBride and Prosperity Investment, LLC were casual conversations between friends.

18. AC expressed interest in learning more about Prosperity Investment, LLC.

19. Brooks was only able to give general information to AC about Prosperity Investment, LLC.

20. Brooks gave AC a phone number for McBride and AC arranged to meet with McBride and/or Sonny Jensen.

21. Brooks had not loaned money to McBride himself, so he suggested that AC contact others who had loaned money to Prosperity Investment, LLC such as Brooks' parents, sister, and friends.

22. Brooks was of the understanding that AC learned from McBride that Prosperity Investment, LLC would pay a higher interest rate on a loan of $100,000 or more.

23. AC wanted to lend money to Prosperity Investment, LLC, at the higher interest rate, but did not have $100,000.

24. Corey Wood ("Wood") is also a childhood friend of Brooks and AC.

25. During the time that AC was talking to Brooks and learning information from McBride on regarding lending money to Prosperity Investment, LLC, Wood was living in Idaho.

26. AC decided he wanted to find a way to lend money to Prosperity Investment, LLC at the higher interest rate.

27. AC approached Wood about pooling their money to reach the $100,000.00 threshold for a loan to Prosperity Investment, LLC.

28. During this time Wood was speaking often with both Brooks and AC. Wood was considering AC's proposal of lending money to Prosperity Investment, LLC by pooling his money with AC's money.

29. Eventually Wood agreed to participate in a loan to Prosperity Investment, LLC, through AC, by pooling his funds with AC's.

30. AC contributed $80,500 and Wood contributed $19,500, to reach the $100,000 threshold.

31. This $100,000 was loaned to Prosperity Investment, LLC by AC who received a note back from Prosperity Investment in his name only.

32. The interest rate and terms of the loan were negotiated solely between McBride and AC.

33. When AC began receiving interest payments from Prosperity Investment, he gave Wood his proportionate share of the interest based on the money Wood had contributed to reach the $100,000 threshold.

34. Webster is a brother-in-law of Brooks.

35. Brooks talked with Webster about what McBride was telling Brooks.

36. Webster became interested and attended a FranklinSquires seminar where he learned more about real estate investng, and purchased the Real Estate Acquisition REP course from FranklinSquires.

37. Brooks purchased the entire package from FranklinSquires, which is four courses: Acquisition REP, Preferred Buyer, Holding Fund and 21-day sale.

38. Wood did not purchase any of the courses, but had access to the materials through Brooks and Webster.

39. When Wood moved down to Utah from Idaho, in February of 2006, Wood, Brooks and Webster had no plans to open their own real estate investing company.

40. Wood, Brooks and Webster were initially going to go through the FranklinSquires course, and then find and assign real estate deals to Franklin Squires.

41. The Franklin Squires Real Estate Acquisition REP course taught: (I) how to find undervalued properties; (ii) how to do due diligence on these properties to see what their market value was; (iii) how to negotiate and put a property under contract, either a cash purchase, seller finance or lease option; and (iv) how to package the deal to be assigned to FranklinSquires or one of its affiliates.

42. At some point thereafter, McBride told Brooks that Prosperity Investment was probably going to have to lower the interest rate being paid to the lenders.

43. The terms of the notes from Prosperity Investment allowed for this unilateral change

in interest rates.

44. Only when Prosperity Investments, LLC, threatened to lower the interest rate for the people that the Respondents knew had loaned them money, did Respondents then decided to try to run a similar process themselves.

45. By starting their own company, Prosperity Capital, LLC, Wood, Brooks and Webster believed that they could have more control over the business and could control the interest rate paid to their lenders, thus protecting their family and friends, and Wood's own loan, from changing interest rates.

46. Wood asked AC to return his $19,500. Wood wanted the money to invest in the company that Wood, Brooks and Webster decided to start, Prosperity Capital, LLC.

47. Without the money from Wood, the Respondents believe that AC began receiving a lower interest rate from Prosperity Investment, LLC.

48. When AC learned that Brooks, Wood and Webster were going to start their own real estate investing company, he approached them and asked how much interest they would pay him if he loaned his money to their company instead of Prosperity Investment, LLC.

49. AC knew, when he approached Wood, Brooks and Webster about moving his money from Prosperity Investment, LLC to their company, Prosperity Capital, LLC, that Wood, Brooks and Webster had no experience in real estate investing, were just starting their company and had no track record of success in the business of real estate investing.

50. To the best of Respondents' knowledge, none of the people referred by Brooks who loaned money to McBride/Prosperity Investment, LLC lost money.

51. To the best of Respondents' knowledge McBride/Prosperity Investment, LLC paid interest on the loans up until the time that the principal was refunded in full to those lenders referred by Brooks.

52. JB's son, EB, is a friend of Webster.

53. Through their conversations, EB learned from Webster about Prosperity Capital, LLC.

54. EB had conversations with his parents about what Webster was doing with Prosperity Capital, LLC.

55. EB expressed to Webster that JB was very interested in learning more about what Respondents were doing through Prosperity Capital, LLC.

56. Webster called JB because EB told Webster that JB wanted to learn more about what Respondents were doing through Prosperity Capital, LLC.

57. Respondents talked with JB about the potential to work something out with JB's rental investment property in Texas and JB's personal residence.

58. Respondents explained to JB their business process and that they looked forward to finding a win-win opportunity with JB related to real estate.

59. Respondents also talked with JB about possibly being a credit partner on a property, but these conversations were not about JB loaning money to Respondents.

60. From Respondents' explanation to JB of their business process, JB was aware that

Respondents would possibly accept a loan from JB; however, Respondents did not specifically ask JB to loan them money.

61. Respondents left it up to JB to ask if he could loan them money, if he wanted to do so.

STATEMENT OF RELIEF THE RESPONDENTS SEEK

AND REASONS IN SUPPORT

WHEREFORE, the Respondents respectfully request as follows:

1. Respondents, Brooks, Webster and Wood, individually, request to be dismissed from the Notice of Agency action and Order to Show Cause on the basis that the company is registered as an LLC through the State of Utah and operates as the same. The individuals should not bear personal liability, only the liability through Prosperity Capital, LLC.

2. Respondents request the action to commence against Prosperity Capital, LLC as a whole and without the individual members; Brooks, Webster and Wood.

3. Respondents, Brooks, Webster, Wood and Prosperity Capital, LLC request that the action be severed from Respondents, McBride and Prosperity Investment, LLC. The entities named herein are separate and have maintained such for the endurance of their business establishments, therefore, within this action, there is no cause to join these entities at any time.

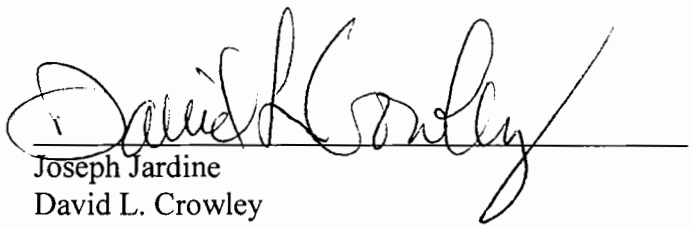
4. Prosperity Capital, LLC respectfully requests that in the event a fine or fines are imposed, that an appropriate payment schedule be established.

5. Upon the resolution of this action, Prosperity Capital, LLC requests that any and all fines imposed (if any) be reduced or extinguished once the money has been paid back to the lenders. The

Respondents, Prosperity Capital, Brooks, Wood, and Webster, did not act with fraudulent intent or in knowing violation of any law, rule or order.

DATED this 5th day of March, 2008.

JARDINE LAW OFFICES, P.C.



Joseph Jardine
David L. Crowley
Attorneys for Respondents Prosperity Capital, LLC, Brooks, Wood, and Webster

MAILING CERTIFICATE

I hereby certify that on the 5th day of March, 2008, I caused a true and correct copy of the foregoing instrument to be delivered via U.S. mail, postage prepaid, hand delivery, and/or confirmed facsimile to:

Administrative Court Clerk
c/o Pam Radzinski
Division of Securities
160 E. 300 S., Second Floor
Box 146760
Salt Lake City, UT 84114-6760

Scott Davis
Assistant Attorney General
160 E. 300 S., Fifth Floor
Box 140872
Salt Lake City, UT 84114-0872
Fax: 366-0315

~~Mari Barnes~~
David L. Crowley