Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
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:	**ORDER TO SHOW CAUSE**
PROSPERITY INVESTMENT, LLC	**Docket No.** SD-08-0009
PROSPERITY CAPITAL, LLC	**Docket No.** SD-08-0010
BRANDON MARK MCBRIDE	**Docket No.** SD-08-0011
DOUGLAS KENT BROOKS	**Docket No.** SD-08-0012
JOHN LEWIS WEBSTER	**Docket No.** SD-08-0013
COREY JAMES WOOD	**Docket No.** SD-08-0014
Respondents.	

It appears to the Director for the Utah Division of Securities (Director) that Prosperity Investment, LLC, Prosperity Capital, LLC, Brandon Mark McBride, Douglas Kent Brooks, John Lewis Webster, and Corey James Wood, may have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Based upon information discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

STATEMENT OF JURISDICTION

1. Jurisdiction over the Respondents and the subject matter is appropriate because the Division alleges that the Respondents violated § 61-1-1 (securities fraud) of the Act, while engaged in the offer and sale of securities in Utah.

STATEMENT OF FACTS

THE RESPONDENTS

2. Prosperity Investment, LLC (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.

3. Prosperity Capital, LLC (Prosperity Capital) was registered as a Utah limited liability company on February 27, 2006, and its entity status is currently "active." Douglas Kent Brooks, Corey James Wood, and John Lewis Webster are members of Prosperity Capital.

4. Brandon Mark McBride (McBride) resides in Utah County, Utah. McBride is the manager of Prosperity Investment.

5. Douglas Kent Brooks (Brooks) resides in Utah County, Utah. Brooks is a member of Prosperity Capital.

6. John Lewis Webster (Webster) resides in Utah County, Utah. Webster is a member of Prosperity Capital.

7. Corey James Wood (Wood) resides in Utah County, Utah. Wood is a member of Prosperity Capital.

GENERAL ALLEGATIONS

8. In 2005, Brooks and McBride collected $80,500 from one investor, who invested in Prosperity Investment. In 2006 and 2007, Brooks, Wood, and Webster collected $60,000 from the same investor, and $19,000 from one additional investor, who both invested in Prosperity Capital.

9. The investors were told that their money would be invested in real estate, that there was very little risk involved, and that they would receive interest of 2 or 3% per month.

10. The investors received promissory notes in return for their investments.

11. The investors lost all of their principal investments in Prosperity Capital.

Investor AC

12. In October or November 2005, Brooks told AC about an investment opportunity involving McBride and McBride's company Prosperity Investment.

13. Brooks told AC if he invested money with Prosperity Investment, it would be invested into a FranklinSquires[1] hard-money fund, which would then be used to invest in real estate having 20-30% equity. Brooks told AC the equity would be stripped from the real

---

[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."

estate and used to purchase more real estate or invested elsewhere.

14. Brooks spoke in general terms to AC regarding how the equity would be used, and provided AC with no specific details.

15. Brooks told AC he would receive a promissory note from McBride in return for an investment. Brooks said the promissory note would pay interest of 2% per month.

16. Brooks also told AC there was very little risk involved in the investment with McBride and Prosperity Investment.

17. Brooks encouraged AC to contact other investors for a referral, including Brooks' parents and Brooks' brother-in-law.

18. Brooks told AC that Prosperity Investment was doing great and people were making money.

19. Brooks told AC Prosperity Investment would not accept small investments, and AC would need to invest a large amount. Brooks 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 Brooks to ask a few more questions about the investment. Brooks became upset with AC and told AC that Brooks was letting AC invest in Prosperity Investment as

a "favor." Brooks 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 with Brooks, 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 what TSS was, 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. Wood 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 Wood, 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 Wood his proportionate share of each interest payment.

28. In January or February 2006, Brooks and McBride parted ways, and Brooks started Prosperity Capital, along with Wood and Webster.

29. Throughout March and April 2006, Brooks and Wood pressured AC to move his money from Prosperity Investment to Prosperity Capital. AC, Brooks, Wood, and Webster had many discussions, either by telephone or in person in various locations in Utah County, to talk about AC moving his funds to Prosperity Capital.

30. During one conversation, Brooks told AC his funds were not safe with McBride and suggested that McBride might be living off of AC's money.

31. Brooks and Wood told AC they would use AC's investment to purchase real estate and strip the equity out of the homes purchased.

32. Brooks told AC the investment in Prosperity Capital was essentially the same as the investment in Prosperity Investment.

33. Brooks and Wood told AC they would pay AC interest of 30% per year, the same as AC was receiving from Prosperity Investment.

34. Brooks told AC that Brooks' parents and brother-in-law had moved their investment funds from Prosperity Investment to Prosperity Capital.

35. Brooks told AC the investment was low-risk. Brooks said he wanted to make the risk zero.

36. Brooks told AC that Prosperity Capital did not yet have a track record of paying investors because it was a new company.

37. On or about April 26, 2006, AC decided to withdrew his funds from Prosperity Investment and invest them in Prosperity Capital. McBride gave AC a personal check for $82,518 (includes prorated interest) made payable to AC.

38. On or about May 7, 2006, while at AC's home, AC invested $30,000 with Prosperity Capital by giving Brooks a personal check made payable to Prosperity Capital.

39. In return for AC's investment, Webster gave AC a $30,000 promissory note from Prosperity Capital, with a stated interest rate of 30% per year, signed by Webster in the presence of AC.

40. From July to September 2006, Prosperity Capital made interest payments to AC in the amount of $750 each, plus one $350 prorated interest payment, for a total of $2,600. The payments from Prosperity Capital came in the form of a check signed by Webster.

41. In August 2006, AC purchased a new truck. Brooks told AC if he were to double the amount invested in Prosperity Capital, AC's monthly interest check would be enough to pay the monthly payments on the truck.

42. On or about August 26, 2006, AC invested another $30,000 in Prosperity Capital by giving Brooks a personal check made payable to Prosperity Capital.

43. In return for AC's additional $30,000 investment, Webster gave AC a promissory note in

the amount of $60,000, with a stated interest rate of 30% per year, representing the total amount of AC's investments. The note is dated November 13, 2006, and was signed by Webster in the presence of AC.

44. From October 2006 to March 2007, Prosperity Capital paid AC monthly payments on AC's investments. Each payment was for $1,500, made by check, wire transfer, or automatic deposit, for a total of $9,000.

45. When AC contacted Brooks, Wood, and Webster to ask why the payments stopped, Brooks and Wood set up a meeting with AC.

46. At the meeting, on or about April 12, 2007, Brooks and Wood told AC they wanted to pay AC, but were currently unable. AC asked where his $60,000 investment went, but neither Brooks nor Wood would give AC an answer.

47. On or about April 23, 2007, AC wrote a letter to Brooks, Wood, and Webster, requesting the return of his investment.

48. AC received no additional interest payments or a return of his principal.

49. Prosperity Capital, Brooks, Webster, and Wood still owe AC $60,000 in principal alone.

Investor JB

50. In the summer of 2006, JB was contacted by Webster via telephone about an opportunity to invest.

51. Webster told JB that JB could invest money in Prosperity Capital, and in return, JB would receive a promissory note with an interest rate of 36% per year (3% per month).

52. JB and his wife, CB, had many discussions with Webster about the investment in Prosperity Capital, either by telephone or e-mail.

53. During these discussions, Webster told JB and CB the following:

a. JB's investment funds would be used to find and purchase real estate;

b. The minimum investment amount was $20,000, but because JB was a friend of the family, JB could invest less than $20,000;

c. There was no risk involved with the investment;

d. JB's investment would be secured, because Prosperity Capital would always have enough real estate to pay everyone back;

e. JB's interest would be paid monthly; and

f. JB could request the return of investment funds at any time, but it would take about one month to return the funds.

54. Webster provided JB with contact information for other investors as references.

55. In December 2006, JB contacted the investors, and discovered that they were all relatives of Prosperity Capital's members. The references had positive comments about their investments with Prosperity Capital.

56. On or about January 5, 2007, JB invested $19,000 in Prosperity Capital, via wire transfer, to Prosperity Capital's bank account.

57. In return, JB received a promissory note in the amount of $19,000, via facsimile, from Prosperity Capital, which stated interest of 36% per year, and appeared to have been

signed by Webster. JB signed the note and returned it to Prosperity Capital, via facsimile.

58. Bank records reveal JB's $19,000 wire transfer was deposited into Prosperity Capital's bank account on or about January 8, 2007, bringing the account balance to $50,014.72. JB's investment funds were then used in the following manner: approximately $11,000 was used to pay another investor's final principal and interest payment, and the remaining funds were used as lease payments for real estate.

59. From February through June 2007, JB received a total of approximately $2,845 in monthly interest payments from Prosperity Capital.

60. JB became concerned with his investment when Webster failed to return JB's telephone calls.

61. On or about June 28, 2007, JB sent a letter, via certified mail, to Webster, in which JB requested the return of his principal investment by July 31, 2007.

62. On or about July 31, 2007, Webster contacted JB, and told him Prosperity Capital had no money and could no longer make interest payments to JB.

63. Webster also told JB that Prosperity Capital's attorney would send JB a plan for repayment. JB never received a payment plan.

64. Prosperity Capital, Webster, Brooks, and Wood still owe JB $19,000 in principal alone.

CAUSES OF ACTION

COUNT I
Securities Fraud under § 61-1-1 of the Act
(Respondents)

65. The Division incorporates and re-alleges paragraphs 1 through 64.

66. The promissory notes offered and sold by Respondents to AC are securities under § 61-1-13 of the Act.

67. In connection with the offer and sale of Prosperity Investment securities to AC, Prosperity Investment, Brooks, 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, Brooks, 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, Brooks, and McBride had no reasonable basis on which to make this representation.

68. In connection with the offer and sale of Prosperity Capital securities to AC and JB, Prosperity Capital, Brooks, Wood, and Webster, directly or indirectly, made false statements, including, but not limited to, the following:

    a. The investment was low risk, when in fact, Prosperity Capital, Brooks, Wood, and Webster had no reasonable basis on which to make this representation;

    b. Brooks told AC that if he doubled his investment in Prosperity Capital, AC would

make enough in interest to make AC's truck payments, when in fact, Prosperity Capital, Brooks, Wood, and Webster had no reasonable basis on which to make this representation; and

c. Webster told JB his investment would be secured, when in fact, Prosperity Capital, Brooks, Wood, and Webster had no reasonable basis on which to make this representation.

69. In connection with the offer and sale of securities to AC, Prosperity Investment, Brooks, 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. Prosperity Investment, Brooks, and McBride failed to tell AC why AC's $13,000 investment in Prosperity Investment was paid to TSS Investments, LLC.

b. Prosperity Investment, Brooks, and McBride failed to provide AC with some or all of the information typically provided in an offering circular or prospectus regarding Prosperity Capital and/or Prosperity Investment such as:

i. The business and operating history for Prosperity Capital and/or Prosperity Investment;

ii. Financial statements for Prosperity Capital and/or Prosperity Investment;

iii. The market for Prosperity Capital's and/or Prosperity Investment's service(s);

iv. The nature of the competition for the service(s);

v. The current capitalization for Prosperity Capital and/or 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.

70. In connection with the offer and sale of securities to JB, Prosperity Capital, Webster, Brooks, and Wood, 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. Some or all of the information typically provided in an offering circular or prospectus regarding Prosperity Capital such as:

i. The business and operating history for Prosperity Capital;

ii. Financial statements for Prosperity Capital;

iii. The market for Prosperity Capital's service(s);

iv. The nature of the competition for the service(s);

v. The current capitalization for Prosperity Capital;

vi. The number of other investors;

vii. The disposition of any investments received if the minimum capitalization were not achieved;

viii. Discussion of pertinent suitability factors for the investment;

xiv. Any conflicts of interest the issuer, the principals, or the agents may have with regard to the investment;

x. Agent commissions or compensation for selling the investment;

xi. Whether the investment is a registered security or exempt from registration; and

xii. Whether the person selling the investment is licensed.

71. Based upon the foregoing, Prosperity Capital, Prosperity Investment, McBride, Brooks, Webster, and Wood violated § 61-1-1 of the Act.

ORDER

The Director, pursuant to § 61-1-20 of the Act, hereby orders the Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63-46b-4 and 63-46b-6 through -10, and held before the Utah Division of Securities. The hearing will occur on Monday, March 10th, 2008, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If the Respondents fail to file an answer and appear at the hearing, the Division of Securities may hold Respondents in default, and a fine may be imposed in accordance with Utah Code Ann. § 63-46b-11. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, the Respondents may show cause, if any they have:

a. Why Prosperity Capital, LLC, Prosperity Investment, LLC, Douglas Kent Brooks, Brandon Mark McBride, John Lewis Webster, and Corey James Wood should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;

b. Why Prosperity Capital, LLC, Prosperity Investment, LLC, Douglas Kent Brooks, Brandon Mark McBride, John Lewis Webster, and Corey James Wood should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the Act;

c. Why Prosperity Capital, LLC should not be ordered to pay a fine of ninety five thousand dollars ($95,000) to the Division of Securities, which may be reduced by

restitution paid to the victims.

d. Why Prosperity Investment, LLC should not be ordered to pay a fine of ten thousand dollars ($10,000) to the Division of Securities, which may be reduced by restitution paid to the victims.

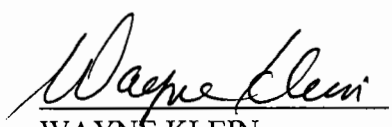
e. Why Douglas Kent Brooks should not be ordered to pay a fine of ninety five thousand dollars ($95,000) to the Division of Securities, which may be reduced by restitution paid to the victims.

f. Why Brandon Mark McBride should not be ordered to pay a fine of ten thousand dollars ($10,000) to the Division of Securities, which may be reduced by restitution paid to the victims.

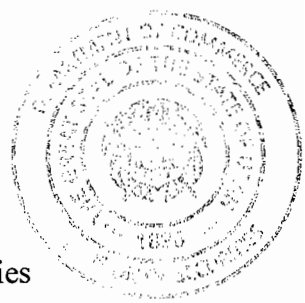
g. Why John Lewis Webster should not be ordered to pay a fine of ninety five thousand dollars ($95,000) to the Division of Securities, which may be reduced by restitution paid to the victims.

h. Why Corey James Wood should not be ordered to pay a fine of ninety five thousand dollars ($95,000) to the Division of Securities, which may be reduced by restitution paid to the victims.

DATED this 31st day of January, 2008.



WAYNE KLEIN
Director, Utah Division of Securities



Approved:

SCOTT DAVIS
Assistant Attorney General

J. N.

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
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:	**NOTICE OF AGENCY ACTION**
PROSPERITY INVESTMENT, LLC	**Docket No.** SD-08-0009
PROSPERITY CAPITAL, LLC	**Docket No.** SD-08-0010
BRANDON MARK MCBRIDE	**Docket No.** SD-08-0011
DOUGLAS KENT BROOKS	**Docket No.** SD-08-0012
JOHN LEWIS WEBSTER	**Docket No.** SD-08-0013
COREY J. WOOD	**Docket No.** SD-08-0014
Respondents.	

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

The purpose of this Notice of Agency Action is to inform you that the Division hereby commences a formal adjudicative proceeding against you as of the date of the mailing of the Order to Show Cause. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§ 63-46b-3 and 63-46b-6 through 11. The facts on which this action is based are set forth in the foregoing Order to Show Cause.

Within thirty (30) days of the mailing date of this notice, you are required to file an Answer with the Division. The Answer must include the information required by Utah Code § 63-46b-6 (1). In addition, you are required by § 63-46b-6 (3) to state: a) by paragraph, whether you admit or deny each allegation contained in the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission; b) any additional facts or documents which you assert are relevant in light of the allegations made; and c) any affirmative defenses (including exemptions or exceptions contained within the Utah Uniform Securities Act) which you assert are applicable. To the extent that factual allegations or allegations of violations contained in the Order to Show Cause are not disputed in your Answer, they will be deemed admitted.

Your Answer, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals 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
(801) 530-6600

A copy to:

Scott Davis
Assistant Attorney General
160 E. 300 S., Fifth Floor
Box 140872
Salt Lake City, UT 84114-0872
(801) 366-0310

A hearing date has been set for Monday, March 10th, 2008, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah.

If you fail to file an Answer, as set forth herein, or fail to appear at the hearing, the Division of Securities may hold you in default, and a fine and other sanctions may be imposed against you in accordance with Utah Code Ann. § 63-46b-11, without the necessity of providing you with any further notice. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, you may appear and be heard and present evidence on your behalf. You may be represented by counsel during these proceedings.

The presiding officer in this case is Angela Hendricks, Manager, Division of Consumer Protection. Questions regarding the Order to Show Cause and Notice of Agency Action should be directed to the Division's attorney, Scott Davis, at (801) 366-0310.

DATED this 31 day of January, 2008.

ANGELA HENDRICKS
Presiding Officer
Manager, Utah Division of Consumer Protection

Certificate of Mailing

I certify that on the 31ST day of JANUARY, 2008, I mailed, by certified mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

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

Certified Mailing #7007 0710 0003 0208 1655

Prosperity Investment, LLC
C/O Bryan Farris, Attorney
3549 N. University Ave. #275
Provo, UT 84604

Certified Mailing #7007 0710 0003 0208 1716

Prosperity Capital, LLC
C/O Douglas Kent Brooks
3561 Rock Creek Road, Apt. 2
Eagle Mountain, UT 84005

Certified Mailing #7007 0710 0003 0208 1662

Prosperity Capital, LLC
C/O Joseph Jardine, Attorney
39 Exchange Pl. #101
Salt Lake City, UT 84111

Certified Mailing #7007 0710 0003 0208 1723

John Lewis Webster
1630 N. 1650 W.
Mapleton, UT 84664

Certified Mailing #7007 0710 0003 0208 1693

Corey James Wood
8246 N. Cedar Springs Rd., Suite 9
Eagle Mountain, UT 84005

Certified Mailing #7007 0710 0003 0208 1709

Douglas Kent Brooks
3561 Rock Creek Road, Apt. 2
Eagle Mountain, UT 84005

Certified Mailing #7007 0710 0003 0208 1686

Brandon Mark McBride
1592 W. 1970 N.
Provo, UT 84604

Certified Mailing #7007 0710 0003 0208 1679

Pamela Radzinski
Executive Secretary