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Texas State Securities Board

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IN THE MATTER OF THE INVESTMENT §
ADVISER REPRESENTATIVE §
REGISTRATION OF KIM D. BUTLER §

Order No. IC20-REV-05

TO: Kim D. Butler (CRD No. 2128753)
Prosperity Economics Partners, LLC
22790 US Highway 259 South
Mount Enterprise, TX 75681

DISCIPLINARY ORDER

Be it remembered that Kim D. Butler ("Respondent") appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this order ("Order") and the Findings of Fact and the Conclusions of Law contained herein.

OVERVIEW

From 2015 through 2017 Respondent sold more than \$5,000,000 in securities sponsored by Woodbridge Wealth, LLC. Respondent is not and has never been registered as a dealer with the Securities Commissioner. Yet she received more than \$300,000 in commissions in connection with these sales. Furthermore, Respondent did not disclose to clients in Respondent's Form ADV or otherwise the fact that she would receive such a commission, or the conflict of interest presented by her financial incentive to recommend such investments.

During this time, Respondent violated the dealer registration requirements of the Texas Securities Act. And she breached fiduciary duties owed to clients by failing to disclose facts material to her investment recommendation. To resolve these issues, Respondent has agreed to a revocation of her registration as an investment adviser representative with the Securities Commissioner and an order to cease and desist from engaging in the unregistered sales of securities and from engaging in any further fraudulent conduct.

FINDINGS OF FACT

1. Respondent has waived (a) Respondent's right to notice and hearing in this matter; (b) Respondent's right to appear and present evidence in this matter; (c) Respondent's right to appeal this Order; and (d) all other procedural rights granted to the Respondent by The Securities Act, Tex. Rev. Civ. Stat. Ann. arts. 581-1 to 581-45 ("Texas Securities Act"), and the Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2001.001 to 2001.902 ("Administrative Procedure Act").
2. On November 14, 2008, Respondent registered as an investment adviser representative of Prosperity Economics Partners, LLC ("PEP") with the Securities Commissioner of the State of Texas. This registration is currently effective.
3. At all times during the relevant period, PEP has been registered as an investment adviser with the U.S. Securities & Exchange Commission ("SEC").

Respondent's Financial Services Organizations

4. Since at least 2015, Respondent has maintained a presence in the financial services industry as owner of multiple organizations.
5. Although each organization markets itself differently, one common theme has prevailed throughout: a targeted approach to promote investments in alternative, unregistered, privately offered securities (in lieu of traditional securities, such as stocks, bonds, and mutual funds).
6. According to its website, PEP "delivers sustainable financial solutions based upon time-tested principles and strategies rather than stock market risks."
7. Another entity, Partners for Prosperity ("P4P"), touts itself as a revolutionary approach to financial planning and a "model for building safe, sustainable wealth...focus[ing] on cash flow rather than accumulation and protect[ing] wealth rather than subjecting it to constant risk."
8. Through P4P, Respondent produces a blog and podcast which both focus on alternatives to the stock market for investors.
9. Respondent is also the founder of Prosperity Economic Movement ("PEM"), a member-based organization of advisors, which according to its website is a registered 501(c)(3) non-profit charitable organization.
10. The purpose of the organization is "to educate both advisors and the public that there are better alternatives to the Big Banks and Wall Street conflicts of interest." And it hosts annual summits (the "Summit(s)") to educate financial advisors on the idea of achieving wealth "outside the confines and derivatives of Wall Street, Big Banks and the echo-chamber of media personalities."

11. Advisors pay a fee to attend the three-day Summits. And Respondent invites issuers of privately offered securities to attend and speak at the Summits to promote their alternatives to traditional securities.
12. Ultimately, through a combination of these organizations, when a client or prospective client engages Respondent for investment advice or to otherwise discuss specific investments, Respondent has exclusively recommended alternative investments.

Recommendations of Woodbridge Notes

13. Woodbridge Wealth, LLC ("Woodbridge"), an issuer of commercial mortgage securities, attended the Summits from 2015 through 2017¹.
14. Shortly after a Summit in 2015, Respondent began recommending that her clients invest in Woodbridge twelve-to-eighteen-month term promissory notes secured by commercial real estate ("First Position Commercial Mortgage Notes" or "FPCM Notes").
15. The FPCM Notes purportedly paid investors a 5 to 8% return as interest from supposed third-party commercial property borrowers ("Third-Party Borrowers").
16. The Third-Party Borrowers would pay Woodbridge 11 to 15% annual interest for the short-term financing loans. Woodbridge, in turn, would offer investors a fraction of the annual interest Woodbridge received (the 5 to 8 %)².
17. Respondent engaged in marketing efforts with respect to Woodbridge Investments. She advertised FPCM Notes on PEP's website and on her own social media pages, podcasts, and blogs.
18. Respondent also sent marketing emails with informational brochures about Woodbridge to her clients.
19. When a client expressed interest, Respondent would send Woodbridge's disclosure materials to the client and facilitate the transfer of the client's funds for investment into a self-directed IRA.

¹ On December 20, 2017 the SEC filed a complaint against Woodbridge alleging that its founder used a web of more than 275 limited liability companies to operate a massive Ponzi scheme raising more than \$1.22 billion from over 8400 unsuspecting investors nationwide through the sale of these fraudulent unregistered securities.

² Respondent also recommended private fund offerings also issued by Woodbridge. The funds had 5-year terms and pooled investor money to purchase a basket of FPCM Notes. The funds purportedly paid investors 10% annualized monthly income and 2% interest accrued annually to be paid at the end of a five-year term (collectively, the FPCM Notes and private funds are known as "Woodbridge Investments").

Fraudulent Conduct

20. Under federal and state law, investment advisers and their representatives owe fiduciary duties to their clients, including the duty to make full and fair disclosure of all material facts and conflicts of interest that could affect the advisory relationship.
21. Respondent is President and Chief Executive Officer of PEP and its primary investment adviser representative.
22. To facilitate disclosure obligations, investment advisers are required to deliver to clients and prospective clients the Form ADV Part 2³.
23. Item 5 of the ADV Part 2A addresses an investment adviser's fees and compensation.
24. The instructions to the ADV Part 2A specifically note that compensation from the sales of securities should be disclosed.
25. In fact, the instructions further indicate that an investment adviser should explain that this practice presents a conflict of interest and gives the adviser an incentive to recommend investment products based on the compensation received.
26. During the time when Respondent began recommending Woodbridge Investments in 2015 until March 2017 ("Relevant Period"), Respondent's clients invested almost \$5,000,000 in Woodbridge Investments. While she received more than \$300,000 in commissions.
27. The ADV Part 2A for PEP that Respondent would have provided to clients during the Relevant Period contained nothing about the commissions that Respondent received from Woodbridge.
28. And Respondent did not otherwise disclose to clients during the Relevant Period her receipt of these commissions and the conflict of interest such receipt would present.
29. In March 2017, Respondent updated the Form ADV Part 2A to disclose that: Respondent may receive a 1 to 6% "referral fee" for referring a client to a real estate loan investment; and a conflict of interest would exist since Respondent had an incentive to recommend these investments.
30. Yet Respondent has never been registered with the Securities Commissioner as a dealer or an agent of a registered dealer.

³ The Form ADV Part 2 is the primary disclosure document that investment advisers provide to their clients. It contains information relating to: advisory services, fees and expenses, conflicts of interest, disciplinary information, and the background of investment adviser representatives. The Form ADV Part 2 requires the disclosures to be made in an entirely narrative format and written in plain English.

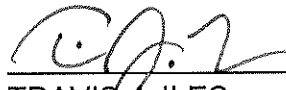
CONCLUSIONS OF LAW

1. Respondent's failures to disclose the compensation she received in connection with her recommendations to clients to invest in Woodbridge Investments is a failure to disclose a material fact, a breach of Respondent's fiduciary duties she owed to her clients, and a fraudulent business practice.
2. Respondent's failure to disclose the conflict of interest that existed between her and her clients with respect to her recommendations to invest in Woodbridge Investments due to her receipt of compensation was a failure to disclose a material fact, a breach of Respondent's fiduciary duties she owed to her clients, and a fraudulent business practice.
3. Pursuant to Section 14.A(3) of the Securities Act, the aforementioned fraudulent business practices constitute bases for the issuance of an order revoking Respondent's registration with the Securities Commissioner.
4. Pursuant to Section 23 of the Securities Act, the aforementioned fraudulent business practices are bases for ordering Respondent to cease and desist from the fraudulent conduct.
5. Respondent acted as a "dealer" as the term is defined in Section 4.C of the Texas Securities Act by recommending clients invest in Woodbridge Investments and subsequently facilitating the clients' investments.
6. By acting as a dealer when Respondent was not registered as a dealer with the Securities Commissioner, Respondent violated Section 12.A of the Securities Act.
7. Pursuant to Section 14.A(6) of the Securities Act, the aforementioned violation of the Texas Securities Act constitutes a basis for the issuance of an order revoking Respondent's registration with the Securities Commissioner.
8. Pursuant to Section 23 of the Securities Act, Respondent's violation of Section 12.A of the Texas Securities Act is a basis for ordering Respondent to cease and desist from violating the dealer registration requirements of the Texas Securities Act.

ORDER

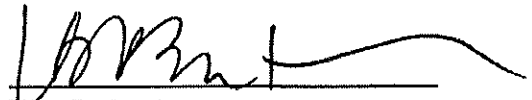
1. It is therefore ORDERED that the registration of Kim D. Butler, as an investment adviser representative with the Securities Commissioner is hereby REVOKED.
2. It is further ORDERED that Kim D. Butler CEASE AND DESIST from engaging in fraudulent conduct.
3. It is further ORDERED that Kim D. Butler CEASE AND DESIST from violating Section 12.A of the Texas Securities Act.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 9th
day of September, 2020.



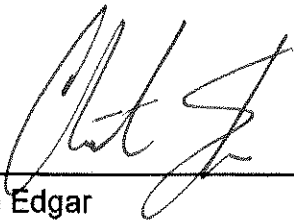
TRAVIS J. ILES
Securities Commissioner

Respondent:



Kim D. Butler
Individually

Approved as to Form:



Clinton Edgar
Deputy Securities Commissioner

Cristi R. Ochoa

Cristi Ramón Ochoa
Attorney
Inspections and Compliance Division

Michael Lee
Attorney for Respondents
Hamburger Law Firm, LLC


Respondent:

Kim D. Butler
Individually

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