

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933

Release No. 10962 / August 6, 2021

SECURITIES EXCHANGE ACT OF 1934

Release No. 92598 / August 6, 2021

INVESTMENT ADVISERS ACT OF 1940

Release No. 5818 / August 6, 2021

INVESTMENT COMPANY ACT OF 1940

Release No. 34352 / August 6, 2021

ADMINISTRATIVE PROCEEDING

File No. 3-20454

In the Matter of

**KIMBERLY D. BUTLER,
PROSPERITY ECONOMICS
PARTNERS, LLC, AND
PARTNERS FOR PROSPERITY,
LLC,**

Respondents.

**CORRECTED ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS, PURSUANT TO
SECTION 8A OF THE SECURITIES ACT
OF 1933, SECTIONS 15(b) AND 21C OF
THE SECURITIES EXCHANGE ACT OF
1934, SECTIONS 203(e), 203(f), AND
203(k) OF THE INVESTMENT
ADVISERS ACT OF 1940, AND SECTION
9(b) OF THE INVESTMENT COMPANY
ACT OF 1940, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS
AND A CEASE-AND-DESIST ORDER, AND
NOTICE OF HEARING**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Sections 203(e), 203(f), and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Kimberly D. Butler (“Butler”), Prosperity Economics Partners, LLC (“Prosperity”), and Partners for Prosperity, LLC (“Partners”) (collectively “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over Respondents and the subject matter of these proceedings, which are admitted, and except as provided herein in Section VI., Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b) and 21C of the Securities Exchange Act of 1934, Sections 203(e), 203(f), and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940, Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds¹ that:

Summary

1. From May 2015 through December 2020, Butler solicited investors to purchase securities issued by Woodbridge Mortgage Investment Fund 4, LLC (“Woodbridge”) and four other private companies, identified herein as Company A, Company B, Company C, and Company D. Butler solicited investors through two entities she controlled, Prosperity and Partners. The five issuers paid Butler compensation including commissions based on a percentage of the purchase price that investors she solicited paid to acquire the securities. Butler’s combined compensation from these issuers totaled at least \$2,872,643.40. Throughout the solicitation period, Prosperity was an investment adviser registered with the Commission. Butler and her two entities acted as unregistered brokers in these transactions.

2. Butler made untrue and misleading statements when offering the investments. She failed to disclose that the investments she offered were limited to companies that had agreed to compensate her based on a percentage of the price the investors paid to purchase the securities. Failing to disclose this compensation made her statements about the investments misleading because a reasonable investor would consider her compensation as bearing on her objectivity and motivation for offering the securities. As to investors who were Prosperity clients, the compensation Butler stood to receive constituted a conflict of interest, which she did not disclose to them. While recommending investments in feeder funds that invested exclusively in Company A private funds, Butler disseminated private-placement memoranda describing her experience selling life-settlement investments but failing to disclose that she was subject to a 2016 Washington cease-and-desist order alleging fraud in life-settlement sales in the state.

¹ The findings herein are made pursuant to Respondents’ Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

3. As a result of the conduct above, Butler, Prosperity, and Partners violated Securities Act Sections 5 and 17(a), Exchange Act Sections 10(b) and 15(a), and Rule 10b-5 thereunder, and Butler and Prosperity violated Advisers Act Sections 206(1) and 206(2).

Respondents

4. **Prosperity** is a Texas limited-liability company formed in June 2014 and based in Mount Enterprise, Texas. In February 2021, Prosperity withdrew from registration as an adviser with the Commission and registered as an investment adviser in Illinois. In June 2021, it withdrew its registration from Illinois and is no longer a registered adviser. From December 2008 to August 2019, Butler owned more than 50% of Prosperity, controlled it as one of its two principals, holding titles President and Chief Compliance Officer, and made investment recommendations to its clients. In August 2019, Butler resigned her positions at Prosperity and relinquished her ownership in it.

5. **Partners** is a Texas limited-liability company based in Mount Enterprise, Texas, formed by Butler in 2018. Butler has owned and controlled Partners since its inception. She supervises Partners' staff, which consists of three administrative employees

6. **Butler**, 54 years old, is a resident of Mount Enterprise, Texas.

Other Relevant Entities

7. Woodbridge is a Delaware limited liability company based in Sherman Oaks, California. In December 2017, the Commission filed a civil action in federal court against Woodbridge and its affiliates, alleging that they defrauded thousands of investors in a \$1.2 billion Ponzi scheme. Based on evidence the Commission filed in the case, the court issued an order in December 2017 freezing the assets of Woodbridge and its affiliates. In August 2019, Woodbridge's owner, Robert H. Shapiro, pleaded guilty to fraud charges in federal court in a parallel criminal case and was sentenced to 25 years in prison.

8. Companies A, B, C, and D are separate, unaffiliated private entities formed in Texas, Nevada, and Arizona.

Background

9. From May 2015 through December 2020, Butler, through Prosperity and Partners, solicited advisory clients and other investors to purchase securities issued in unregistered transactions by five private companies—Woodbridge and Companies A, B, C, and D. For an annual fee, Prosperity provided investment advice to individual clients. Butler espoused an investment philosophy she formulated, which focused on “alternative investments.” She had agreements with the five companies, whose securities she described as “safe” alternatives to investing in stocks and bonds. Butler attracted investors by promoting her investment methods and investment opportunities in books, podcasts, and online videos.

10. Butler, a licensed insurance agent, recruited and trained other insurance agents to adopt her investment philosophy. She held an annual conference called the “Summit for Prosperity

Economics Advisors,” attended by life-insurance agents from around the country at her invitation. At the conference, she promoted her investment methods and, by networking during and after the conference, she convinced several agents to solicit investors to purchase the five companies’ securities under her direction.

11. To recommend the investments, she communicated with investors in person, by phone, and in email. Butler described the terms of the investments she offered and purported to tailor her investment recommendations to each investor’s stated investment goals. The alternative investments she sold, however, were limited to companies which had agreed to compensate her based on a percentage of the purchase price her investors paid.

Solicitations for Woodbridge

12. From January 2016 through at least December 2017, Butler solicited investors through Partners to purchase promissory notes issued by Woodbridge. By agreement, Woodbridge paid Partners a commission based on a percentage of the price that its investors paid to purchase the securities. The percentage ranged from 2% to 4%, depending on the amount of return Woodbridge promised to the investor. Woodbridge also paid Partners a commission of 1-2% on each sale that Butler’s sales agents made. During this period, at least 44 investors solicited by Butler and her sales agents paid Woodbridge at least \$4,652,000 in exchange for promissory notes. At least five of these investors were Prosperity clients. In connection with these investments, Woodbridge made payments to Partners from January 2016 through January 2018 totaling at least \$251,655.30.

Solicitations for Company A

13. Company A is private company based in Texas that manages investment portfolios whose assets consist of life settlements. To finance life-settlement acquisitions in its portfolios, formed as LLCs, Company A established a series of feeder funds, also formed as LLCs. The feeder funds invested exclusively in Company A’s life-settlement portfolios and, in exchange, received LLC membership units issued by the portfolio companies. The feeder funds raised money directly from investors, issuing them LLC membership units in the feeder funds in exchange for their investments.

14. Under agreements with Company A, Prosperity served as the “Sponsor” of three feeder funds From May 2015 through at least August 2018, and Partners served as the Sponsor of two feeder funds from September 2018 through at least December 2020. As Sponsors, they were responsible for the general management, accounting, and fund-raising activity for the feeder funds. In exchange for managing the feeder funds, Prosperity and Partners were entitled to a “back-end” management fee equal to 2% of all distributions from the portfolio LLCs to the feeder funds. In addition, Company A paid Prosperity and later Partners an amount equal to approximately 10% of each investor contribution that their feeder funds fed into the life-settlement portfolios. Company paid them additional compensation that ranged from 1% to 2% of investor contributions from sales made by Butler’s sales agents. From May 2015 through at least December 2020, Prosperity and Partners and their sales agents combined raised at least \$11,938,188.60 in the feeder funds from at least 95 investors for investments in the Company A portfolios. At least nine of these investors were Prosperity clients. Company A paid Prosperity and Partners combined at least \$1,234,641.67

in connection with these transactions.

15. In recommending the Company A investments, Butler disseminated PPMs for the feeder funds that contained untrue and misleading statements concerning her disciplinary history. Under the heading “Management,” the PPMs stated that “Butler has significant experience in the Life Settlement industry” and that she “has offered Life Settlements as an alternative investment strategy for more than 10 years, successfully helping over 300 investors place approximately \$20 million dollars into over numerous Life Settlement contracts.” Under the heading “Legal Matters,” the PPMs listed “Partners for Prosperity” followed by “None.” These statements were misleading. While it is true that Prosperity and Partners had no direct disciplinary history, Butler omitted to state that she had legal matters, including one involving her experience with life settlements. Washington State charged Butler administratively for securities fraud in March 2016 for selling life-settlement securities in unregistered, non-exempt transactions and ordered her to cease and desist such violations in June 2016. And, in November 2018, Michigan charged Butler administratively for selling Woodbridge securities in unregistered, non-exempt transactions, ordering her to cease and desist such misconduct in March 2019. Butler never revised the PPMs to reflect these legal proceedings.

Solicitations for Company B

16. Company B is a private-equity firm that sought to attract investors by, among other things, promoting investment opportunities on its website, and by compensating sales agents, including Butler, to offer its investment opportunities to investors directly. Company B raised money from investors to finance multiple oil-and-gas investment funds structured as LLCs. It also raised money to finance commercial real-estate projects by selling promissory notes. From March 2018 through September 2020, Butler and her sales agents sold least \$6,102,000 in Company B LLC units and promissory notes to at least 90 investors. At least eight of the investors were Prosperity clients.

17. Butler’s sales for Company B took place from March 2018 through August 2019 while she was associated with Prosperity and from September 2019 through September 2020 while she was associated only with Partners. Butler initially had agreements with Company B under which she stood to receive commissions of up to 10% from her sales, plus a variable percentage of her sales agents’ sales. In 2018, Company B paid Butler commissions totaling \$42,755.02. In 2019, Company B changed its compensation method from paying sales commissions to paying a referral fee of \$2,500 for each investor Butler referred, plus later bonus compensation when she reached more than \$1 million in referred money. In 2019 and 2020, combined, Company B paid Butler \$684,615.76 under the revised compensation method.

Solicitations for Company C and Company D

18. Company C and Company D are private, unrelated LLC formed in Arizona. Each company sought to attract investors by promoting real-estate investment opportunities through their websites and through paid sales agents such as Butler. Through Prosperity, Butler entered into agreements with Company C and Company D to sell promissory notes they issued to help finance projects in their real-estate businesses. Under these agreements, Butler would earn a 5%

commission from Company C and a 4% commission from Company D for selling their respective promissory notes. From April 2016 through August 2019, Butler sold \$6,735,000 of Company C promissory notes to at least 34 investors and received commissions totaling \$605,313.77. From June 2017 through November 2018, Butler sold \$1,341,547 of Company D promissory notes to 18 investors, including unaccredited investors, and received commissions totaling \$53,661.88. At least six Prosperity clients invested in Company C and at least one in Company D.

Making Misleading Statements and Failing to Disclose Conflicts of Interest

19. In each offering, Butler failed to disclose that the investments she offered were limited to companies that had agreed to compensate her based on a percentage of the price the investors paid to purchase the securities—transaction-based compensation. Failing to disclose this compensation made her statements about the investments misleading because a reasonable investor would consider her compensation as bearing on her objectivity and motivation for offering the securities. Moreover, as to Prosperity’s clients, the compensation Butler stood to receive constituted a conflict of interest, which she did not disclose to them.

Violations

20. As a result of the conduct described above, Butler, Prosperity, and Partners willfully violated Sections 5(a), 5(c), and 17(a) of the Securities Act, Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder, which prohibit offering and selling securities in unregistered transactions and engaging in fraudulent conduct in the offer or sale of securities and in connection with the purchase or sale of securities.

21. As a result of the conduct described above, Butler and Prosperity willfully violated Sections 206(1) and 206(2) of the Advisers Act, which prohibit fraudulent conduct by an investment adviser.

22. As a result of the conduct described above, Butler, Prosperity, and Partners willfully violated Section 15(a) of the Exchange Act, which prohibits any broker to use the mails or any means or instrumentality of interstate commerce to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any security unless such broker is registered with the Commission in accordance with Section 15(b) of Exchange Act.

Undertakings

Respondents undertake to, within thirty (30) days of entry of this Order:

23. Provide a copy of this Order—by mail or e-mail, together with a cover letter in a form not unacceptable to the Commission staff—to each investor who purchased securities since May 1, 2015, described above, after solicitation by Respondents.

24. Post a copy of this Order, by a link entitled “2021 SEC Order” or by another method not unacceptable to the Commission staff, on the landing page of Partners’ website, <http://www.partners4prosperity.com>, to the extent that the website is used by Partners for one

year after entry of this Order.

25. Certify in writing compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondents agree to provide such evidence. The certification and supporting material shall be submitted to Timothy S. McCole, Assistant Regional Director, Securities and Exchange Commission, Fort Worth Regional Office, 801 Cherry Street, Suite 1900, Fort Worth, Texas 76102, or such other address as the Commission staff may provide, with a copy to the Office of Chief Counsel of the Enforcement Division, 100 F Street, NE, Washington, DC 20549, no later than sixty (60) days from the date of the completion of the undertakings.

IV.

Pursuant to the Offer, Respondents agree to additional proceedings in this proceeding to determine what, if any, disgorgement and prejudgment interest are appropriate under Section 8A of the Securities Act, Sections 21B and 21C of the Exchange Act, and Section 203 of the Advisers Act. In connection with such additional proceedings: (a) Respondents agree that they will be precluded from arguing that they did not violate the federal securities laws described in this Offer and in the Order; (b) Respondents agree that they may not challenge the validity of this Offer; (c) solely for the purposes of such additional proceedings, the findings made in this Offer and in the Order shall be accepted as and deemed true by the hearing officer; and (d) the hearing officer may determine the issues raised in the additional proceedings on the basis of affidavits, declarations, excerpts of sworn deposition or investigative testimony, documentary evidence, and, if the hearing officer determines it necessary, hearing testimony.

V.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offer.

Accordingly, pursuant to Section 8A of the Securities Act, Sections 15(b)(6) and 21C of the Exchange Act, Sections 203(e), 203(f), and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondents Butler, Prosperity, and Partners shall cease and desist from committing or causing any violations and any future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act, Sections 10(b) and 15(a) of the Exchange Act, and Rule 10b-5, thereunder.

B. Respondents Butler and Prosperity shall cease and desist from committing or causing any violations and any future violations of Sections 206(1) and 206(2) of the Advisers Act.

C. Respondent Butler be, and hereby is:

barred from association with any broker, dealer, investment adviser,

municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

D. Any reapplication for association by the Respondent Butler will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, compliance with the Commission's order and payment of any or all of the following: (a) any disgorgement or civil penalties ordered by a Court against the Respondent in any action brought by the Commission; (b) any disgorgement amounts ordered against the Respondent for which the Commission waived payment; (c) any arbitration award related to the conduct that served as the basis for the Commission order; (d) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (e) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

E. Respondent Prosperity is censured.

F. Respondents shall comply with the undertakings enumerated in Section III, paragraphs 23, 24, and 25, above.

G. Respondents Butler, Prosperity, and Partners shall, within 30 days of the entry of this Order, pay, jointly and severally, a civil money penalty in the amount of \$275,000 to the Securities and Exchange Commission. The Commission may distribute civil money penalties collected in this proceeding if, in its discretion, the Commission orders the establishment of a Fair Fund pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002. The Commission will hold funds paid pursuant to this paragraph in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, subject to Exchange Act Section 21F(g)(3), transfer them to the general fund of the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

H. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Respondent Butler, Prosperity, or Partners as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Eric R. Werner, Division of Enforcement, Securities and Exchange Commission, 801 Cherry Street, Suite 1900, Unit 18, Fort Worth, Texas 76102.

I. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the disgorgement, prejudgment interest and/or penalties referenced in paragraphs IV. and V.B above. Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

VI.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and

admitted by Respondents, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondents under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondents of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

VII.

IT IS ORDERED that a public hearing for purposes of taking evidence on the questions set forth in Section IV hereof shall be convened at a time and place to be fixed and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

If any Respondent fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against the Respondent upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

IT IS FURTHER ORDERED that, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice, 17 C.F.R. § 201.360(a)(2), the Administrative Law Judge shall issue an initial decision no later than 120 days from the occurrence of one of the following events: (A) The completion of post-hearing briefing in a proceeding where the hearing has been completed; (B) Where the hearing officer has determined that no hearing is necessary, upon completion of briefing on a motion pursuant to Rule 250 of the Commission's Rules of Practice, 17 C.F.R. § 201.250; or (C) The determination by the hearing officer that a party is deemed to be in default under Rule 155 of the Commission's Rules of Practice, 17 C.F.R. § 201.155 and no hearing is necessary.

The Commission finds that it would serve the interests of justice and not result in prejudice to any party to provide, pursuant to Rule 100(c) of the Commission's Rules of Practice, 17 C.F.R. § 201.100(c), that notwithstanding any contrary reference in the Rules of Practice to service of paper copies, service to the Division of Enforcement of all opinions, orders, and decisions described in Rule 141, 17 C.F.R. § 201.141, and all papers described in Rule 150(a), 17 C.F.R. § 201.150(a), in these proceedings shall be by email to the attorneys who enter an appearance on behalf of the Division, and not by paper service.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in

proceedings held pursuant to notice. Since this proceeding is not “rule making” within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Vanessa A. Countryman
Secretary