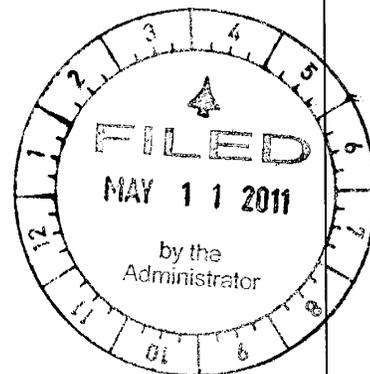


STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES
FIRST NATIONAL CENTER, SUITE 860
120 NORTH ROBINSON
OKLAHOMA CITY, OKLAHOMA 73102



In the Matter of:

Prosper Marketplace, Inc.

Respondent.

ODS File No. 10-042

CONSENT ORDER

WHEREAS, the Oklahoma Department of Securities (Department) conducted an investigation of **Prosper Marketplace, Inc. (PROSPER)** and determined that **PROSPER** has offered and sold securities as defined in Section 1-102(32) of the Oklahoma Uniform Securities Act of 2004 (Act), Okla. Stat. tit. 71, §§ 1-101 through 1-701 (Supp. 2009); and

WHEREAS, a number of state regulators coordinated investigations into **PROSPER'S** activities in connection with unregistered securities offered and sold between 2006 and October 2008; and

WHEREAS, **PROSPER** has cooperated with regulators conducting the investigations by responding to inquiries, providing documentary evidence and other materials, and halting further offers and sales until the securities are appropriately registered; and

WHEREAS, **PROSPER**, as part of this settlement agrees to appropriately register its securities with the Department before making further offers or soliciting sales, and to make certain payments; and

WHEREAS, **PROSPER** neither admits nor denies the Findings of Fact and Conclusions of Law, but has agreed to resolve the investigations relating to its offers and sales of unregistered securities through this Consent Order (Order) in order to avoid protracted and expensive proceedings in numerous states; and

1 to commit to purchase loans extended to borrowers, referred to on the platform as “lenders.”
2 Lenders and borrowers registered on the website and created **PROSPER** identities. They were
3 prohibited from disclosing their actual identities anywhere on the **PROSPER** website.

4 5. Borrowers requested three-year, fixed rate, unsecured loans in amounts between \$1,000 and
5 \$25,000 by posting “listings” on the platform indicating the amount they wanted to borrow and the
6 maximum interest rate they were willing to pay. **PROSPER** assigned borrowers a credit grade
7 based on a commercial credit score obtained from a credit bureau, but **PROSPER** did not verify
8 personal information, such as employment and income.

9 6. Potential lenders bid on funding all or portions of loans at specified interest rates, which
10 were typically higher than rates available from depository accounts at financial institutions. Each
11 loan was usually funded with bids by multiple lenders. After an auction closed and a loan was fully
12 bid upon, the borrower received the requested loan with the interest rate set by Prosper and
13 determined by the auction bidding at the lowest rate acceptable to all winning bidders.

14 7. Individual lenders did not lend money directly to the borrower; rather, the borrower
15 received a loan from a bank with which **PROSPER** had contracted. (Prior to April of 2008, loans
16 were made directly by **PROSPER**.) The interests in that loan were then sold and assigned through
17 **PROSPER** to the lenders, with each lender receiving an individual non-recourse promissory note.

18 8. Since the inception of its platform in January 2006, **PROSPER** has initiated approximately
19 \$174 million in loans nationwide. **PROSPER** collected an origination fee from each borrower of
20 one to three percent of loan proceeds, and collected servicing fees from each lender from loan
21 payments at an annual rate of one percent of the outstanding principal balance of the notes.

22 9. **PROSPER** administered the collection of loan payments from the borrower and the
23 distribution of such payments to the lenders. **PROSPER** also initiated collection of past due loans
24 from borrowers and assigned delinquent loan accounts to collection agencies. Lenders and
25 borrowers were prohibited from transacting directly and were unable to learn each others’ true
26 identities.

1 10. **PROSPER** voluntarily suspended all offers and sales of securities on October 16, 2008.

2 11. Oklahoma residents purchased more than Twelve Thousand (12,000) notes and have
3 financed **PROSPER** loans totaling more than Nine Hundred Five Thousand Dollars (\$905,000).

4 **Part 3: Prosper's Omissions in Connection with Sales to Investors**

5 12. **PROSPER** provided information to lenders concerning the issues noted below,
6 although it did not provide the information in the manner typically required of a securities
7 registrant regarding: details of the company's business model; biographical information about the
8 background and experience of **PROSPER'S** management; certain risk factors in connection with
9 the purchase of a **PROSPER** facilitated note, including the fact that the notes were speculative
10 investments; significant financial risks that investors may be subjected to when investing in the
11 **PROSPER** notes that could result in a complete loss of their investment, such as the fact that
12 borrowers may not fulfill their obligations to make payments for reasons of death or incapacity,
13 bankruptcy, or inability to pay; information concerning **PROSPER's** status as a development stage
14 company with a limited operating history; and the possibility that **PROSPER** could cease
15 operations at any time due to the failure to raise additional capital, because of a lack of
16 profitability, or because of regulatory concerns.

17
18 13. The **PROSPER** website, the company's exclusive mode of dissemination of
19 information to prospective investors, did not contain financial statements for **PROSPER**, did not
20 disclose that the notes were not registered with the Department, and that **PROSPER** might have
21 significant contingent liability for the offer and sale of unregistered securities.

22
23 **CONCLUSIONS OF LAW**

24 1. The notes sold by **PROSPER** to Oklahoma residents are securities, as defined by
25 Section 1-102 of the Act.

1 set forth in this Order, the Department may vacate this Order, at its sole discretion, upon 10 days
2 notice to **PROSPER** and without opportunity for administrative hearing, and commence separate
3 action.

4 7. For any person or entity not a party to this Order, this Order does not limit or create any
5 private rights or remedies against **PROSPER**, does not limit or create liability of **PROSPER**, or limit
6 or create defenses of **PROSPER** to any claims.

7 8. Nothing herein shall preclude the State of Oklahoma, its departments, agencies, boards,
8 commissions, authorities, political subdivisions and corporations, other than the Department and only
9 to the extent set forth in paragraph 1 in this section, (collectively, "State Entities") and the officers,
10 agents or employees of State Entities from asserting any claims, causes of action, or applications for
11 compensatory, nominal and/or punitive damages, administrative, civil, criminal, or injunctive relief
12 against **PROSPER** in connection with unregistered securities sales.

13 9. This Order and any dispute related thereto shall be construed and enforced in accordance
14 with, and governed by, the laws of the State of Oklahoma without regard to any choice of law
15 principles.

16 10. This Order shall be binding upon **PROSPER** and its successors and assigns as well as to
17 successors and assigns of relevant affiliates with respect to all conduct subject to the provisions
18 above and all future obligations, responsibilities, undertakings, commitments, limitations,
19 restrictions, events, and conditions.

20
21 Witness my Hand and the Official Seal of the Oklahoma Department of Securities this 11 day
of May, 2011.

22
23 
24 Irving L. Faught, Administrator of the
25 Oklahoma Department of Securities
26

**CORPORATE CONSENT TO ENTRY OF ORDER FOR
PROSPER MARKETPLACE, INC.**

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2
3 I, Sachin Adavkar, state that I am an officer of Prosper Marketplace, Inc. and I am
4 authorized to act on its behalf; that I have read the foregoing Order and that I know and fully
5 understand the contents hereof; that Prosper Marketplace, Inc. voluntarily consents to the entry of
6 this Order without any force or duress, expressly waiving any right to a hearing in this matter; that
7 Prosper Marketplace, Inc. understands that the Oklahoma Department of Securities reserves the
8 right to take further actions to enforce this Order or to take appropriate action upon discovery of
9 other violations of the Oklahoma Uniform Securities Act of 2004 (Act), Okla. Stat. tit. 71, §§ 1-
10 101 through 1-701 (Supp. 2009), by Prosper Marketplace Inc.; and that Prosper Marketplace, Inc.
11 will fully comply with the terms and conditions stated herein. Prosper Marketplace, Inc. agrees that
12 it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal
13 or local tax for any administrative monetary penalty that shall pay pursuant to this Order.
14

15 Prosper Marketplace Inc. understands that this order is a public record document.

16 Prosper Marketplace Inc. has been represented by counsel of its choosing in connection with
17 the resolution of this matter, specifically, Randall J. Fons, Partner, Morrison & Forster LLP.

18 Dated this 26th day of April, 2011.

19 Prosper Marketplace, Inc.

20 By: [Signature]
21 Title: General Counsel

22
23 SUBSCRIBED AND SWORN TO before me this 26 day of April, 2011.

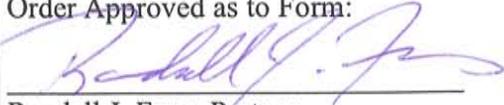
24
25 [Signature]
Notary Public

26 My Commission expires: February 6, 2012



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Order Approved as to Form:



Randall J. Fons, Partner
Morrison & Foerster LLP

5/6/11

Date