

STATE OF CALIFORNIA  
BUSINESS, TRANSPORTATION AND HOUSING AGENCY  
DEPARTMENT OF CORPORATIONS

RE: Prosper Marketplace, Inc.

File Number: 506-3341

111 Sutter Street, 22<sup>nd</sup> Floor

San Francisco, CA 94104

CONSENT ORDER

(For violations of section 25110 of the California Corporations Code)

Without admitting or denying the findings herein, except as to the jurisdiction of the Department of Corporations (Department) over them and the subject matter of these proceedings for the times in question, which are admitted, Prosper Marketplace, Inc. (Prosper) consents to the entry of this Consent Order made pursuant to Corporations Code Section 25110.

NOW, THEREFORE, for good and valuable consideration, and the terms and conditions set forth herein, the parties agree as follows:

1. At all relevant times, Prosper Marketplace, Inc. (Prosper) has been a Delaware corporation, with its principal place of business currently located at 111 Sutter Street, 22<sup>nd</sup> Floor, San Francisco, CA 94104.
2. Prosper has operated an online lending platform connecting borrowers and lenders. Prosper issues notes to lenders that are dependent on payment by corresponding borrowers. It concedes that such notes, that were offered on or after July 13, 2009 ("Notes") are securities, and thus has filed applications by coordination to qualify the securities. Prosper issues the Notes in series. Each series corresponds to a

single consumer loan originated through the platform to one of the borrowers.

Prosper's obligation to make payments to lenders on a Note is dependent on Prosper's receipt of funds by the corresponding borrower.

3. Prosper has been licensed as a California Finance Lender under California Financial Code Section 2200 *et. seq.*
4. Prosper qualified its Notes by Coordination under Section 25111 of the Code pursuant to an application approved on July 13, 2009.
5. Prosper notified the Department on or about August 5, 2010, that its prior qualification order had lapsed on July 13, 2010. Prosper has offered and/or sold securities in California without obtaining a permit or availing itself of an exemption in conformance with CSL Section 25110. Specifically, between July 13, 2010, and August 5, 2010, Prosper sold 10,594 Notes, which had an aggregate value of \$466,600 to 1,486 California residents.
6. Section 25110 of the CSL provides that it is unlawful to offer or sell securities in California (in an issuer transaction) unless such sale has been qualified or exempted.
7. Pursuant to CSL Section 25252 Prosper may be subject to an imposition of administrative penalty/fine (up to \$1,000 for the first violation, and not more than \$2,500 for each subsequent violation) from the Department.
8. Prosper has brought the potential violations to the attention of the Department, and has fully cooperated with the California Department of Corporations.
9. Prosper filed an application for qualification under Section 25111 on August 5, 2010, to address the lapse identified in Paragraph 5.
10. Prosper consents, and is ordered to pay to the Department a penalty of \$25,000, in lieu of potential penalties under Corporations Code Section 25252, for its failure to qualify the offerings of securities in 2010.

11. Prosper undertakes to take all steps necessary to comply with the Corporate Securities Law of 1968, as amended, in any future offerings.

12. The parties further acknowledge and agree that nothing contained in this Agreement shall operate to limit the Department's ability to assist any other agencies with any prosecution, administrative, civil, or criminal brought by any agency against Prosper based upon any of the activities alleged in this matter or otherwise. Each of the parties represents, warrants, and agrees that in executing this Agreement it has relied solely on the statements set forth herein and the advice of its own counsel and has placed no reliance on any statement, representation, or promise of any other party, or any other person or entity not expressly set forth herein, or upon the failure of any party or any other person or entity to make any statement, representation or disclosure of anything whatsoever.

In consideration of this Consent Order, Prosper waives its right to a hearing on this matter and to judicial review of this matter. This Consent Order is a public document and will be posted on the Internet web site of the Department of Corporations.

Dated this \_\_\_\_ day of \_\_\_\_\_, 2010

PRESTON DuFAUCHARD  
California Corporations Commissioner

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### **CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY PROSPER**

Prosper hereby acknowledges that it has been served with a copy of this Administrative Consent Order, has read the foregoing Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

Prosper admits the jurisdiction of the California Department of Corporations, neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order;

and consents to entry of this Order by the Department of Corporations as settlement of the issues contained in this Order.

Prosper states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.

\_\_\_\_\_ represents that he/she is \_\_\_\_\_ of Prosper and that, as such, has been authorized by Prosper to enter into this Order for and on behalf of Prosper.

Dated this \_\_\_\_ day of \_\_\_\_\_, 2010.

PROSPER MARKETPLACE, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

SUBSCRIBED AND SWORN TO before me this \_\_\_\_ day of \_\_\_\_\_, 2010.

\_\_\_\_\_  
Notary Public

My commission expires:  
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