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In the matter of

ADMINISTRATIVE PROCEEDING BEFORE THE
SECURITIES COMMISSIONER OF SOUTH CAROLINA

File Number 09048
Prosper Marketplace, Inc.

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Respondent. ADMINISTRATIVE CONSENT ORDER

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WHEREAS, the Securities Division of the Office of the Attorney General of South Carolina (the "Division") conducted an investigation of Prosper Marketplace, Inc. ("Prosper") and determined that Prosper has offered and sold securities as defined in the South Carolina Uniform Securities Act of 2005 (the "Securities Act"), S.C. Code Ann. §§35-1-101 to 35-1-703 (Supp.

2008); 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

WHEREAS, Prosper, as evidenced by the authorized signature on the consent to the Order
2 below, admits the jurisdiction of the Securities Commissioner of the State of South Carolina (the 3 "Securities Commissioner"), voluntarily consents to the entry of this Order, and elects to 4 permanently waive any right to a hearing and appeal under S.C. Code Ann. §§35-1-604 and 35-1-5 609 (Supp. 2008) with respect to this Order;
6 NOW, THEREFORE, the Securities Commissioner, as administrator of the Securities Act, 7 hereby enters this Order:
8 FINDINGS OF FACT
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Part 1: Respondent Licensing/Registration History
1. Prosper is a Delaware corporation (Delaware Division of Corporations #3943799) that was incorporated on March 22, 2005. Its principal place ofbusiness is located at 111 Sutter Street, 22nd Floor, San Francisco, California 94104. Since February, 2006, Prosper has held itself out, through
its Internet website, www.Prosper.corn, as an online marketplace for "person to person" lending.
2. Prosper has been licensed as a California finance lender (license #605-3227) since December 19, 2005. Its consumer finance license allows Prosper, pursuant to relevant state lending statutes, to make loans to consumers within certain limits in states in which Prosper is properly licensed as a finance lender. A consumer finance license does not authorize a licensee to sell securities to South Carolina residents.
3. Prosper submitted an application to register securities in South Carolina on November 7, 2008. As ofthe date of this order, Prosper does not have an active securities registration in South Carolina.
Part 2: Prosper Product Prior to October 16, 2008
4. Prosper's lending platform functioned like a double-blind auction, connecting individuals who wish to borrow money, or "borrowers," with individuals or institutions who wish to commit to purchase loans extended to borrowers, referred to on the platform as "lenders." Lenders and borrowers registered on the website and created Prosper identities. They were prohibited from disclosing their actual identities anywhere on the Prosper website.
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1 5. Borrowers requested three-year, fixed rate, unsecured loans in amounts between $1,000 and
2 $25,000 by posting "listings" on the platform indicating the amount they wanted to borrow and the 3 maximum interest rate they were willing to pay. Prosper assigned borrowers a credit grade based 4 on a commercial credit score obtained from a credit bureau, but Prosper did not verify personal 5 information, such as employment and income.
6 6. Potential lenders bid on funding all or portions of loans at specified interest rates, which
7 were typically higher than rates available from depository accounts at financial institutions. Each 8 loan was usually funded with bids by multiple lenders. After an auction closed and a loan was fully 9 bid upon, the borrower received the requested loan with the interest rate set by Prosper and 1 0 determined by the auction bidding at the lowest rate acceptable to all winning bidders.
11 7. Individual lenders did not lend money directly to the borrower; rather, the borrower
12 received a loan from a bank with which Prosper had contracted. (Prior to April of 2008, loans were 13 made directly by Prosper.) The interests in that loan were then sold and assigned through Prosper 14 to the lenders, with each lender receiving an individual non-recourse promissory note.
15 8. Since the inception of its platform in January, 2006, Prosper has initiated approximately
16 $174 million in loans nationwide. Prosper collected an origination fee from each borrower of one 17 to three percent of loan proceeds, and collected servicing fees from each lender from loan 18 payments at an annual rate of one percent of the outstanding principal balance of the notes.
19 9. Prosper administered the collection of1oan payments from the borrower and the distribution
20 of such payments to the lenders. Prosper also initiated collection of past due loans from borrowers 21 and assigned delinquent loan accounts to collection agencies. Lenders and borrowers were 22 prohibited from transacting directly and were unable to learn each others' true identities.
23 I 0. Prosper voluntarily suspended all offers and sales of securities on October 16, 2008.
24 11. Fourteen thousand two hundred seventy-one South Carolina residents have financed
25 Prosper loans totaling more than $1, 184,3 55.
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Part 3: Prosper's Omissions in Connection with Sales to Investors
12. Prosper provided information to lenders concerning the issues noted below, although it
did not provide the information in the manner typically required of a securities registrant regarding details of the company's business model; biographical information about the background and
experience of Prosper's management; certain risk factors in connection with the purchase of a
Prosper facilitated note, including the fact that the notes were speculative investments; significant financial risks that investors may be subjected to when investing in the Prosper notes that could result in a complete loss of their investment, such as the fact that borrowers may not fulfill their obligations to make payments for reasons of death or incapacity, bankruptcy, or inability to pay; information concerning Prosper's status as a development stage company with a limited operating history; and the possibility that Prosper could cease operations at any time due to the failure to raise additional capital, because of a lack of profitability, or because of regulatory concerns.
13. The Prosper website, the company's exclusive mode of dissemination of information to prospective investors, did not contain financial statements for Prosper, did not disclose that the notes were not registered with the Division, and did not disclose that Prosper might have significant contingent liability for the offer and sale of unregistered securities.
CONCLUSIONS OF LAW

I. The "notes" sold by Prosper to South Carolina residents are securities, as defined by the Securities Act.

2. Prosper sold securities that were not registered with the Division in violation of S.C.
Code Ann.§ 35-1-301 (Supp. 2008)
3. In connection with the offer or sale of a security to South Carolina residents, Prosper
either failed to include material information or failed to describe in the manner typically required of a securities registrant certain business or loan information, including investment risk factors, that

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would have aided investors, or prospective investors in making an objective decision on whether
to invest in the Prosper notes, in violation of S.C. Code Ann. § 3 5-1-501 (Supp. 2008).

ORDER
IT IS HEREBY ORDERED:

1. Prosper will CEASE AND DESIST from offering and/or selling securities to persons in or from the State of South Carolina in violation of the Act and will comply with the Act.
2. Prosper shall pay the sum of$ 6,612.00 to the State of South Carolina as a fine for violating the Securities Act, as set forth above.
3. In the event another state securities regulator determines not to accept Prosper's state settlement offer, the total amount of the South Carolina payment shall not be affected, and shall remain at $6,612.00.
4. This Order concludes the investigation by the Division and any action that the Division could commence under applicable South Carolina law on behalf of South Carolina as it relates to Prosper, up to and including any activity through November 24, 2008; provided however, that excluded from and not covered by this section are any claims by the Division arising from or relating to the "Order" provisions contained herein.
5. This Order is entered into solely for the purpose of resolving the referenced multistate investigation, and is not intended to be used for any other purpose, and its findings and conclusions shall not constitute admissions on the part of Prosper for any purpose.
6. If payment is not made by Prosper, or if Prosper defaults in any of its obligations set forth
in this Order, the Securities Commissioner may vacate this Order, at his sole discretion, upon 10 days notice to Prosper, and without opportunity for administrative hearing, and commence separate action.

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

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8. Nothing herein shall preclude the State of South Carolina, its departments, agencies, boards, commissions, authorities, political subdivisions and corporations, other than the Division and only to
the extent set forth in paragraph 4 in this section, (collectively, "State Entities") and the officers, agents or employees of State Entities from asserting any claims, causes of action, or applications for compensatory, nominal and/or punitive damages, administrative, civil, criminal, or injunctive relief against Prosper in connection with unregistered securities sales.
9. This Order and any dispute related thereto shall be construed and enforced in accordance with., and governed by, the laws of the State of South Carolina without regard to any choice of law principles.
10. This Order shall be binding upon Prosper and its successors and assigns as well as to successors and assigns of relevant affiliates with respect to all conduct subject to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.

BY ORDER OF THE SECURITIES COMMISSIONER

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SECURITIES COMMISSIONER
STATE OF SOUTH CAROLINA

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

I, \:; �~� (""" �~� �T�~�\� ,·_s , state that I am an officer of Prosper Marketplace, Inc. and I am

authorized to act on its behalf; that I have read the foregoing Order and that I know and fully understand the contents hereof; that Prosper Marketplace, Inc. voluntarily consents to the entry of
this Order without any force or duress, expressly waiving any right to a hearing in this matter; that Prosper Marketplace, Inc. understands that the Division reserves the right to take further actions to enforce this Order or to take appropriate action upon discovery of other violations of the Act by Prosper Marketplace Inc.; and that Prosper Marketplace, Inc. will fully comply with the terms and conditions stated herein. Prosper Marketplace, Inc. agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any administrative monetary penalty that it shall pay pursuant to this Order.
Prosper Marketplace Inc. understands that this order is a public record document.
Prosper Marketplace Inc. has been represented by counsel of its choosing in connection with
the resolution of this matter, specifically, Randall J. Fons, Partner, Morrison & Forster LLP.

Dated this I 'S day of 3 �’�-�’�~� ,2009.

Prosper Marketplace, Inc.

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Order Approved as to Fonn:

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