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ADMINISTRATIVE CONSENT ORDER
CO-2009-0016

WHEREAS, **PROSPER**, as evidenced by the authorized signature on the consent to the Order below, admits the jurisdiction of the Alabama Securities Commission, voluntarily consents to the entry of this Order and elects to permanently waive any right to a hearing and appeal under

1 Section 8-6-32, Code of Alabama 1975 with respect to this Order;

2 NOW, THEREFORE, the Alabama Securities Commission, as administrator of the
3 Alabama Securities Act, Title 8, Chapter 6, Code of Alabama 1975; hereby enters this Order:

4 **FINDINGS OF FACT**

5 **Part 1: Respondent Licensing/Registration History**

6 1. **PROSPER** is a Delaware corporation (Delaware Division of Corporations #3943799) that
7 was incorporated on March 22, 2005. Its principal place of business is located at 111 Sutter Street,
8 22nd Floor, San Francisco, California 94104. Since February 2006 **PROSPER** has held itself out,
9 through its Internet website, www.prosper.com, as an online marketplace for "person to person"
10 lending.

11 2. **PROSPER** has been licensed as a California finance lender (license #605-3227) since
12 December 19, 2005.

13 3. **PROSPER** submitted an application to register securities in Alabama on, November 11,
14 2007. As of the date of this order, **PROSPER** does not yet have an active securities registration in
15 Alabama.

16 **Part 2: Prosper Product Prior to October 16, 2008**

17 4. **PROSPER'S** lending platform functioned like a double-blind auction, connecting
18 individuals who wish to borrow money, or "borrowers," with individuals or institutions who wish
19 to commit to purchase loans extended to borrowers, referred to on the platform as "lenders."
20 Lenders and borrowers registered on the website and created **PROSPER** identities. They were
21 prohibited from disclosing their actual identities anywhere on the **PROSPER** website.

22 5. Borrowers requested three-year, fixed rate, unsecured loans in amounts between \$1,000 and
23 \$25,000 by posting "listings" on the platform indicating the amount they wanted to borrow and the
24 maximum interest rate they were willing to pay. **PROSPER** assigned borrowers a credit grade
25 based on a commercial credit score obtained from a credit bureau, but **PROSPER** did not verify
26 personal information, such as employment and income.

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

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

10 8. Since the inception of its platform in January 2006, **PROSPER** has initiated approximately
11 \$174 million in loans nationwide. **PROSPER** collected an origination fee from each borrower of
12 one to three percent of loan proceeds, and collected servicing fees from each lender from loan
13 payments at an annual rate of one percent of the outstanding principal balance of the notes.

14 9. **PROSPER** administered the collection of loan payments from the borrower and the
15 distribution of such payments to the lenders. **PROSPER** also initiated collection of past due loans
16 from borrowers and assigned delinquent loan accounts to collection agencies. Lenders and
17 borrowers were prohibited from transacting directly and were unable to learn each others' true
18 identities.

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

20 11. Three Hundred and Forty-four ("344") Alabama residents have financed **PROSPER** loans
21 totaling more than \$ 764,083.20.

22 23 Part 3: Prosper's Omissions in Connection with Sales to Investors

24 12. **PROSPER** provided information to lenders concerning the issues noted below,
25 although it did not provide the information in the manner typically required of a securities
26

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

11
12 13. The **PROSPER** website, the company's exclusive mode of dissemination of
13 information to prospective investors, did not contain financial statements for **PROSPER**, did not
14 disclose that the notes were not registered with the Alabama Securities Commission, and that
15 **PROSPER** might have significant contingent liability for the offer and sale of unregistered
16 securities.

17 CONCLUSIONS OF LAW

18 1. The "notes" sold by **PROSPER** to Alabama residents are securities, as defined by
19 Section 8-6-2(10), Code of Alabama 1975.

20 2. **PROSPER** sold securities that were not registered with the Alabama Securities
21 Commission in violation of Section 8-6-4, Code of Alabama 1975.

22 3. In connection with the offer or sale of a security to Alabama residents, **PROSPER** either
23 failed to include information or failed to describe in the manner typically required of a
24 securities registrant certain business or loan information including investment risk factors, that
25 would have aided investors, or prospective investors in making an objective decision on whether
26

1 to invest in the **PROSPER** notes in violation of Section 8-6-17(a)(2).

2 **ORDER**

3 IT IS HEREBY ORDERED:

4 1. **PROSPER** will CEASE AND DESIST from offering and/or selling securities to persons in or
5 from the State of Alabama in violation of the Alabama Securities Act and will comply with Title 8,
6 Chapter 6, Code of Alabama 1975.

7 2. **PROSPER** shall pay the sum of \$3,073.00 to the State of Alabama in accordance with
8 Section 8-6-19(j)(1), Code of Alabama 1975, as an administrative assessment, said funds to be
9 tendered in certified funds contemporaneously with the entry of this Order.

10 3. **PROSPER** shall pay the sum of \$2,000.00 to the State of Alabama in accordance with
11 Section 8-6-19(k)(1), Code of Alabama 1975, as partial reimbursement for the Commission's cost
12 for investigating this matter, said funds to be tendered in certified funds contemporaneously with
13 the entry of this Order.

14 4. In the event another state securities regulator determines not to accept **PROSPER'S** state
15 settlement offer, the total amount of the **Alabama** payment shall not be affected, and shall remain
16 at \$5,073.00.

17 5. This Order concludes the investigation by the Alabama Securities Commission and any other
18 action that the "Commission" could commence under applicable Alabama law on behalf of Alabama
19 as it relates to **PROSPER**, up to and including any activity through November 24, 2008; provided
20 however, that excluded from and not covered by paragraph 1 in this section are any claims by the
21 Alabama Securities Commission arising from or relating to the "Order" provisions contained
22 herein.

23 6. This Order is entered into solely for the purpose of resolving the referenced multistate
24 investigation, and is not intended to be used for any other purpose, and its findings and conclusions
25 shall not constitute admissions on the part of **PROSPER** for any purpose.

26 7. If payment is not made by **PROSPER**, or if **PROSPER** defaults in any of its obligations
set forth in this Order, the Alabama Securities Commission may vacate this Order, at its sole

1 discretion, upon 10 days notice to **PROSPER** and without opportunity for administrative hearing,
2 and commence separate action.

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

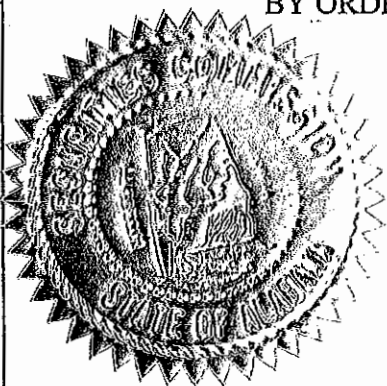
6 9. Nothing herein shall preclude Alabama, its departments, agencies, boards, commissions,
7 authorities, political subdivisions and corporations, other than the Alabama Securities Commission
8 and only to the extent set forth in paragraph 1 in this section, (collectively, "State Entities") and the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

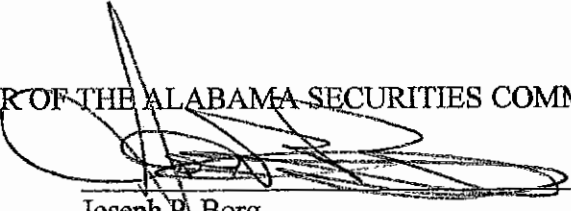
12 10. This Order and any dispute related thereto shall be construed and enforced in accordance
13 with, and governed by, the laws of the State of Alabama without regard to any choice of law
14 principles.

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

19
20 Dated this 16th day of June, 2009.

21
22 BY ORDER OF THE ALABAMA SECURITIES COMMISSION



23
24 
25 Joseph P. Borg
26 Director

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

1. I, Kirk Inglis, 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 Alabama Securities Commission reserves the right to take further actions to enforce this Order or to take appropriate action upon discovery of other violations of Title 8, Chapter 6, Code of Alabama 1975 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 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 & Foerster LLP.

Dated this 11 day of June, 2009.

Prosper Marketplace, Inc.

By: Kirk Inglis

Title: CFO

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SUBSCRIBED AND SWORN TO before me this 11 day of June, 2009

Michelle Donnelly
Notary Public

My Commission expires: February 6, 2012



Order Approved as to Form:

Randall J. Fons, Partner
Morrison & Foerster LLP

Date