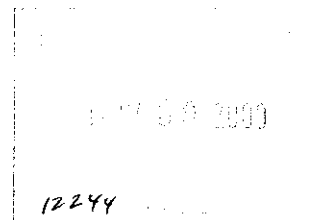


COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTIN CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
AGENCY CASE NO. 2009-AH-069



DEPARTMENT OF FINANCIAL INSTITUTIONS

PETITIONER

vs.

AGREED ORDER

PROSPER MARKETPLACE, INC.

RESPONDENT

BACKGROUND AND FACTUAL FINDINGS

On December 5, 2008, Prosper Marketplace, Inc. ("Prosper") filed a Form S-1 Registration Statement (File No. 333-147019)(the "Registration Statement") with the United States Securities And Exchange Commission (the "SEC") under the Securities Act of 1933, and Amendment No. 1 to the Registration Statement. The Registration Statement styled the Prosper securities to be registered as Borrower Payment Dependent Notes. On December 10, 2008, the Department of Financial Institutions ("DFI"), Division of Securities (the "Division"), received from Prosper a Form U-1 Uniform Application to Register Securities by coordination pursuant to KRS 292.360 (the "Application"). In response to the Application, the Division sent Prosper a letter containing comments on December 17, 2008. Prosper did not formally respond to the Division's comment letter but did file a series of six (6) Amendments to the Registration Statement over the next several months (both letters collectively referred to as the "comment letters"). The Division sent Prosper another comment letter on August 24, 2009, which contained two new comments.

Specifically, the Division's comment letters contained the following comments, disclosures and requirements:

(a) The Notes are so risky that they should only be available to Kentucky residents who qualify as “Accredited Investor[s]”, as defined in 17 CFR 230.501(a).

(b) Bullet point risk factors must be added to the prospectus cover, which make the following disclosures:

(i) the Notes are special obligations of Prosper that are not secured by any collateral or third-party guaranty;

(ii) borrower members’ credit information may be inaccurate and not fully reflect borrowers’ credit worthiness;

(iii) Prosper does not verify borrower members’ income, employment status or occupation, any or all of which may be inaccurate or intentionally false;

(iv) Prosper will reveal no borrower members’ identity to lender members before they purchase Notes, nor can lenders obtain or verify borrowers’ identities after they purchase Notes;

(v) Lender members must rely on Prosper and a third-party collection agency to pursue collections on delinquent Notes;

(vi) Borrower members may request their banks to “chargeback” any payment made on a Note and request a refund of that payment, resulting in a delinquency on the Note and cause a negative balance in a lender member’s funding account;

(vii) Prosper has a history of state and federal securities law violations, which have resulted in cease and desist orders and the payment of fines to various regulatory agencies, with a potential for ongoing litigation.

(c) Prosper intends to retain all payments collected on delinquent Notes after any Note’s final maturity date; these payments should be the property of the lender member.

(d) The Division requested an explanation of Prosper's "borrower chargeback" policy, which appears to violate existing banking laws.

(e) The Division required explanation of the irrationality of Prosper forswearing the reliability of the information it supplied to lender members on borrower members, when Prosper is the only source for any borrower information.

(f) Kentucky investors must have a gross annual income of \$70,000, and a liquid net worth of \$70,000, or a liquid net worth alone of \$250,000, and no Kentucky resident can invest more than 10% of his or her liquid net worth in the Notes.

(g) The Division shall require Prosper to verify the identities of every borrower member applicant, with at least two (2) forms of identification (one must be photographic), and substantiate the employment history and income level of every borrower member applicant.

The thirty day response deadline expired on September 29, 2009, and pursuant to KRS 292.390, the Commissioner entered a Stop Order on October 8, 2009 denying the effectiveness of the Registration Statement submitted to the Division on December 10, 2008 for non-compliance with the Kentucky Securities Act (KRS Ch. 292) (the "Stop Order"). Prosper has now requested permission from the Division to withdraw its Application in Kentucky, and the Division has informed Prosper that it has no objection to this request on condition that Prosper agrees not to submit another application in the future unless and until it can adequately and satisfactorily respond to and satisfy all mutually compatible items addressed in the Division's comment letters of December 17, 2008 and August 24, 2009.

AGREEMENT AND ORDER

The Department of Financial Institutions and Prosper, in the interest of economically and efficiently resolving the matters described in the foregoing Background and Factual Findings, agree as follows:

By the agreement of the parties, **IT IS HEREBY ORDERED** that the Form U-1 Uniform Application to Register Securities pursuant to KRS 292.360, which was submitted to the Department of Financial Institutions by or on behalf of Prosper Marketplace, Inc. on December 10, 2008, is **WITHDRAWN**, without prejudice to the right of Prosper to submit another application for registration in the future conditioned on its ability to adequately and satisfactorily respond to and satisfy the mutually compatible items in the Division's comment letters of December 17, 2008 and August 24, 2009 as set forth in detail above. Also accordingly, the Stop Order is hereby **DISMISSED** as of its entry date of October 8, 2009 and the above-styled agency case is **DISMISSED** with prejudice.

In regard to this matter, Prosper waives its right to demand a hearing, at which Prosper would be entitled to legal representation, to confront and cross examine witnesses for the Department of Financial Institutions, and to present evidence on its own behalf. Further, Prosper consents to and acknowledges the jurisdiction of the Department of Financial Institutions over this matter and that this Agreement is a matter of public record and may be disseminated as such.

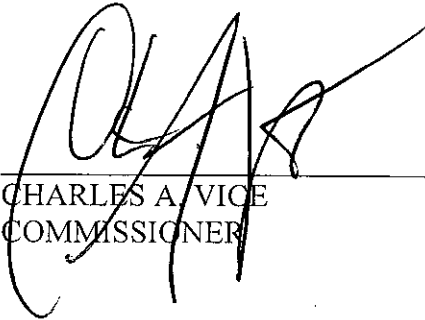
In consideration of execution of this Agreed Order, Prosper for itself, and for its successors and assigns, hereby releases and forever discharges the Commonwealth of Kentucky, DFI, Office of Legal Services, and each of their members, agents, and employees in their individual capacities, from any and all manner of actions, causes of action, suits, debts, judgments, executions, claims and demands whatsoever, known and unknown, in law or equity,

that Prosper ever had, now has, may have or claim to have against any or all of the persons or entities named in this paragraph arising out of or by reason of this investigation, this disciplinary action, this settlement or its administration.

By signing below, the parties acknowledge they have read the foregoing Agreed Order, know and fully understand its contents, and that they are authorized to enter into and execute this Agreed Order and legally bind their respective parties.

This Agreed Order shall constitute the Final Order in this matter.

IT IS SO ORDERED on this the 3rd day of December, 2009.



CHARLES A. VICE
COMMISSIONER

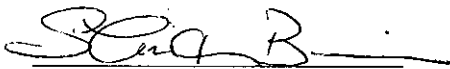
Consented to:



Prosper Marketplace, Inc.

By: Sachin Adarkar

Its: General Counsel



Shonita Bossier

Director

Division of Securities