

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

**IN THE MATTER OF: JERRY RAPPAPORT AND)
ANTHONY J. SANTILLI.)
_____)**

File No. 0500015

TEMPORARY ORDER OF PROHIBITION

TO THE RESPONDENTS: BLANK ROME LLP

Counsel for American Business Financial Services, Inc.
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American Business Financial Services, Inc.
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Anthony J. Santilli
Chief Executive Officer, Chairman, President, Chief
Operating Officer and Director.
American Business Financial Services, Inc.
P.O. Box 11716
Philadelphia, PA 19101-9928

Jerry Rappaport
Vice President of Investor Relations
American Business Financial Services, Inc.
P.O. Box 11716
Philadelphia, PA 19101-9928

On information and belief, I, Jesse White, Secretary of State of Illinois, through my designated representative, who has been fully advised in the premises by the staff of the Securities Department, Office of the Secretary of State, herein find:

BACKGROUND FACTS

1. American Business Financial Services, Inc. ("ABFI") is a foreign entity doing business in Illinois and with a last known address of The Wanamaker Building, 100 Penn Square East, Philadelphia, Pennsylvania, 19107.
2. ABFI is in the business of originating mortgages for sub-prime borrowers as well as offering for sale, among other things, high-risk unsecured, uninsured notes and uninsured notes secured by the interest made on the mortgages, both of which ABFI promised annual returns as high as 12.25%
3. Anthony Santilli ("Santilli") is the founder of ABFI and was the President, Chairman, Chief Executive Officer, Chief Operating Officer and Director of ABFI at all relevant times herein.
4. Jerry Rappaport ("Rappaport") is employed by Respondent ABFI as the Vice President of Investor Relations with a last known address of 415 Mill Creek Road, Gladwyne, Pennsylvania, 19035. Rappaport's CRD registration number is 1365565.
5. ABFI reached out to Illinois citizens and investors by advertising in various newspapers. ABFI offered for sale its uninsured, unsecured, subordinated notes, as well as its other high-risk investments, for sale to the general public through these various newspaper advertisements.

BACKGROUND FACTS COMMON TO ALL COUNTS

6. Complainant is a citizen of the State of Illinois. She is an unsophisticated investor for whom English is a second language and relies on her daughter to translate documents for her.
7. On June 22, 2000 Complainant responded to ABFI's offering to sell notes and invested her life savings of \$59,885.82 in ABFI investment notes (the "Investment").¹
8. Complainant's daughter ("Daughter") translated the ABFI advertisements, prospectus, and other documents relating to the Investment on behalf of Complainant. Daughter also wrote letters and communicated with ABFI on Complainant's behalf.

¹ At the time of the investment, the notes had a three-month maturity date with an 8.5% return.

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9. Pursuant to page 37 of ABFI's November 2003 prospectus ABFI is obligated to notify investors of an upcoming maturity date of a note approximately 20 days, but not less than 15 days, before the maturity date, and also provide a renewal/redemption form to allow the investor to renew the note or redeem it.
10. Complainant's investment was to mature on September 22, 2004, and was worth \$112,932.14.
11. Despite the fact that the investment was to mature on September 22, 2004, ABFI and Respondents never mailed any notices of maturation or renewal/redemption forms, in total disregard for their obligation as put forth in the prospectus.
12. Complainant anticipated using the money from her Investment to buy a home and purchase a trip to India for her and her family.
13. On September 12, 2004, ten days before the investment was to mature, Daughter telephoned ABFI on behalf of Complainant to close the account and redeem the investment.
14. Daughter was advised by a service representative of ABFI to fax the instruction in writing.
15. Daughter wrote a letter ("Instructions to Redeem") requesting ABFI to redeem the Investment and close her account. Complainant signed the Instructions to Redeem and Daughter faxed it to ABFI on September 12, 2004.
16. Daughter contacted a service representative of ABFI, was assured that the fax had been received, and that the account would close at the maturity date of the note on or about September 22, 2004.
17. Instead of following Complainant's explicit Instructions to Redeem the investment, ABFI disregarded the instructions and fraudulently renewed Complainant's Investment. Complainant's life savings was locked into ABFI's scheme for another three months.
18. After the maturity date of September 22, 2004, Complainant received a renewal statement instead of her redemption. Daughter attempted to contact ABFI on multiple occasions throughout October and November.
19. Daughter was continually assured by Respondent ABFI, by its service representatives, that it would "look into the matter."
20. Finally, in late December of 2004, after repeated telephone calls and inquires Daughter was able to speak with Respondent Rappaport.

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21. Respondent Rappaport informed Daughter the he was the Vice President of the Investment Note Department, she should mail him a copy of the Instructions to Redeem, and he would contact her when he received it.
22. As instructed, Daughter dutifully mailed copies of the Instruction To Redeem to Respondent Rappaport.
23. During the first week of January 2005, instead of receiving her much anticipated redemption check, Complainant received a mailing from ABFI which included a press release dated December 23, 2004 informing ABFI's investors that it was defaulting on principal and interest payments on mature notes.
24. The press release was issued over four months after Complainant had provided her Instructions to Redeem to ABFI.
25. On January 6, 2005, a week after mailing the copy of the September 12 Instructions To Redeem, Daughter had yet to hear back from Respondent Rappaport as he had promised.
26. Daughter called ABFI's CEO and President Respondent Santilli ("Santilli") and spoke with his secretary regarding the failure to follow the Instructions to Redeem.
27. Respondent Santilli's secretary acknowledged that Respondent Rappaport was the correct individual to contact regarding the failure of ABFI to follow Complainant's Instructions To Redeem.
28. Daughter informed Respondent Santilli's Secretary that she had been in contact with Respondent Rappaport and did as he had instructed, but that he did not call her and that he was not returning her calls.
29. The secretary provided Daughter with Respondent Santilli's fax number and told Daughter to fax a copy of the Instructions To Redeem so that she could personally give it to Respondent Rappaport.
30. After faxing a copy of the Instructions To Redeem, Daughter called Respondent Santilli's secretary and was assured that Respondent Rappaport's secretary had received the fax and had personally placed it on Respondent Rappaport's desk.
31. On January 7, 2005, Respondent Rappaport finally called Daughter and accused her of not faxing him a copy of the Instructions To Redeem, despite the assurances of Respondent Santilli's secretary to the contrary.

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32. For the fourth time, Daughter sent the Instructions to Redeem to Respondent Rappaport.
33. On January 10, 2005, Daughter attempted to speak with Respondent Rappaport and called on at least three occasions, leaving messages for him to return her call.
34. Respondent Rappaport ignored Daughter's inquiries and did not return her numerous telephone calls.
35. On the afternoon of January 11, 2005, Respondent Rappaport finally called Daughter back to tell her that he could not find any record that the Instructions to Redeem faxed to ABFI on September 12, 2004, was ever received.
36. During that conversation, Respondent Rappaport told Daughter that ABFI had no money to pay because it had paid other investors whose notes had matured.
37. Daughter asked Respondent Rappaport if his actions were an attempt to delay her from going to the authorities.
38. Respondent Rappaport responded, "Yes, that's it exactly."
39. Respondent Rappaport stated that they "could be on the phone all day but we would not get anywhere." He refused to continue speaking with Daughter, using a meeting he had to attend as an excuse to end the telephone call.
40. When Daughter then asked if he would call back, Respondent Rappaport responded, "there is nothing more to say" and, "I'll see if I'll call you back or not."
41. On January 21, 2004, ABFI filed for Bankruptcy protection.
42. That the activities set forth in paragraphs 1, 2, 5 and 7 above evidence indebtedness by ABFI to Complainant, and therefore a security, as those terms are defined in Sections 2.1, 2.5, and 2.5a of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*

COUNT I AGAINST RESPONDENTS

815 ILCS 5/12(F) violation: disregarding the written Instructions to Redeem worked a fraud upon Complainant One.

43. Section 12(F) of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.*, (the "Act") states that it shall be a violation of the Act for any person to "engage in any transaction, practice, or course of business in connection with the sale or

purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.”

44. Paragraphs 2 through 42, above, evidence activities that show Respondents violated Section 12(F) of the Act. In particular: That Respondents failed to follow Complainant’s written instructions to redeem her investment, instead, reinvesting her money into high-risk and unsecured notes.

COUNT II AGAINST RESPONDENTS

815 ILCS 5/12(G) violation: Respondents’ untrue statements of material fact and omissions to state material facts where misleading and resulted in Respondents converting Complainant’s money.

45. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 42 as paragraph 45 of this Count II.
46. Section 12(G) of the Act states that it shall be a violation of the Act for any person to “obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.”
47. Paragraphs 2 through 42, above, evidence activities that show Respondents violated Section 12(G) of the Act. In particular: that Respondents failed to provide notices of maturity for notes maturing in late 2004, Respondents purposefully ignored Complainant’s written Instructions to Redeem; Respondents lied to Complainant One in telling her for four months that the matter was being looked into; and, instead, converted Complainant’s money into ABFI high-risk, uninsured and high-risk notes while paying out certain other investors on the eve of bankruptcy.

COUNT III AGAINST RESPONDENTS

815 ILCS 5/12(I) violation: Respondents employed a scheme to defraud in connection for the sale of securities.

48. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 42 as paragraph 48 of this Count III.
49. Section 12(I) of the Act states that it shall be a violation of the Act for any person to “employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly.”

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50. Paragraphs 2 through 42, above, evidence activities that show Respondents violated Section 12(I) of the Act. In particular: that Respondents did not provide a renewal or redemption notice to Complainant prior to the September 22, 2004, maturity date of the Investment as they were obligated to do; that Respondents ignored Complainant's September 12, 2004, Instruction To Redeem; That Respondent Rappaport, though his staff and on his own, for four months mislead Complainant by stating that the matter was being "looked into"; while Respondents were paying interest and principal to other investors whose notes had matured or interest had become due; and used this scheme to convert Complainant's money by reinvesting it in ABFI's high-risk and unsecured notes on the eve of its Bankruptcy filing; and used the scheme to delay Complainant from seeking legal advice and redress until Respondents made the public statement after December 23, 2004 that it would suspend payments to its investors.

COUNT IV AGAINST RESPONDENTS

815 ILCS 5/12(H) violation: Respondents circulated a statement knowing that it contained material misrepresentations.

51. The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 42 as paragraph 51 of this Count I The Illinois Secretary of State re-alleges and incorporates paragraphs 1 through 42 as paragraph 49 of this Count IV.
52. Section 12(H) of the Act states that it shall be a violation of the act for any person to "sign or circulate any statement, prospectus, or other paper or document required by any provision of this Act or pertaining to any security knowing or having reasonable grounds to know any material representation therein contained to be false or untrue.
53. Paragraphs 2 through 49, above, evidence activities that show Respondents violated Section 12(H) of the Act. In particular: Respondents wrongfully ignored Complainant's Instruction to Redeem; and Respondents issued an investment statement to Complainant showing that her life savings had been invested in Respondent ABFI's high-risk and unsecured notes.

NOW THEREFORE IT IS HEREBY ORDERED THAT: pursuant to the authority granted by Section 11.F of the Act, **Respondents Anthony Santilli, Jerry Rappaport**, are **PROHIBITED** from offering or selling securities in or from this State until the further Order of the Secretary of State.

NOTICE is hereby given that Respondents may request a hearing on this matter by transmitting such request in writing to the Director, Illinois Securities Department, 69

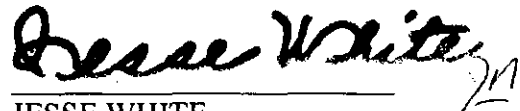
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W. Washington Street, Suite 1220, Chicago, Illinois 60602. Such request must be made within thirty (30) calendar days of the date of entry the Temporary Order of Prohibition. Upon receipt of a request for hearing, a hearing will be scheduled as soon as reasonably practicable. A request for hearing will not stop the effectiveness of this Temporary Order and will extend the effectiveness of this Temporary Order for sixty days from the date the hearing request is received by the Department.

FAILURE BY ANY RESPONDENT TO REQUEST A HEARING WITHIN THIRTY (30) CALENDAR DAYS AFTER ENTRY OF THIS TEMPORARY ORDER OF PROHIBITION SHALL CONSTITUTE AN ADMISSION OF ANY FACTS ALLEGED HEREIN AND SHALL CONSTITUTE SUFFICIENT BASIS TO MAKE THIS TEMPORARY ORDER OF PROHIBITION FINAL.

Dated: This 8th day of April 2005.

Handwritten signature of Jesse White in black ink, with a horizontal line underneath and the initials 'JW' to the right.

JESSE WHITE
Secretary of State
State of Illinois

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