

STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT

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STEVEN HOWARD DELOTT  
(CRD 729489 )  
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Case No. 0900272

TO THE RESPONDENT:

STEVEN DELOTT  
4713 WELLINGTON DRIVE  
LONG GROVE, IL 60047

SUMMARY ORDER OF PROHIBITION

On information and belief, I, Jesse White, Secretary of State for the 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:

1. **Respondent Steven Howard Delott (“Delott”)** is a resident of Illinois with a last known address of 4713 Wellington Drive in Long Grove. **Delott** was, until February of 2008, registered with the Secretary of State as a salesperson of securities and a registered representative with NFP Securities.
2. **Delott** also maintained a business entity, Delott & Associates, Inc., which he disclosed as an outside business activity with his respective employing brokerage firms.
3. **Delott** disclosed that he did wholesale and retail annuity business through Delott & Associates, Inc. Part of **Delott’s** wholesale and retail annuity business involved his solicitation of senior citizens to attend his “Retirement Planning Workshops” (“Workshops”) from which he attempted to obtain one-on-one meetings with attendees that he referred to as “Fact Finders” so that he could sell Equity Indexed Annuities (“EIAs”) to the attendees.
4. Another business conducted by **Delott** through his business entity was to train insurance salespersons and other attendees in utilizing high-pressure and improper sales tactics to sell annuities (“Annuity Training Classes”).

5. The Financial Industry Regulatory Authority (“FINRA”) investigated **Delott’s** Workshops and Annuity Training Classes that he conducted while he was a representative for NFP Securities, Inc., resulting in an enforcement action against **Delott** for numerous violations of FINRA rules.<sup>1</sup>
6. On February 17, 2010, **Delott** entered into a Letter of Acceptance, Waiver and Consent (“AWC”) with the Financial Industry Regulatory Authority (“FINRA”).
7. The AWC details the numerous violations of NASD rules on the part of **Delott**, most of which involve repeated violations of NASD Rules 2110, 2210 and 3030.
8. **Delott**, as detailed in the AWC, conducted his seminars directed at senior citizens that focused almost exclusively on inducing seniors to purchase high-commissioned Equity Indexed Annuities, but also involved sales of single premium life insurance policies as well as promoting **Delott’s** reverse mortgage investment strategies to obtain more money from seniors to place them in Annuities. During his seminars and subsequent meetings with individual seniors that attended **Delott** utilized certain marketing documents and materials to promote his scheme.
9. **Delott**, as detailed in the AWC, also ran Annuity Training Classes for insurance agents, charging \$5,000.00 per attendee to instruct the attendees in the use of high-pressure and improper sales techniques. In his classes, **Delott** used various marketing materials, DVDs which had not been approved by NFP Securities, Inc.
10. As detailed in the AWC FINRA found **Delott** in violation of NASD Rule 2110, which requires members to observe high standards of commercial honor and just and equitable principles of trade for, among other things:
  - a. **Failing to routinely disclose during the Workshops and Fact Finders that he received commissions from the sales of EIAs.**
  - b. **Falsely creating the appearance that people were signing up for a Fact Finders meeting by asking that existing customers come to the front of the room at the conclusion of the Workshop.**
  - c. **Recommending and instructing attendees of his Annuity Training to make false, misleading, unwarranted, or exaggerated statements in the sale of EIAs and other financial products; to omit material facts; to present information concerning EIAs that is not fair and balanced; and to use improper and high-pressure sales strategies.**
  - d. **Making exaggerated and unwarranted statements to seniors to encourage them to invest in EIAs.**

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<sup>1</sup> At the time of the investigation and institution of the Enforcement Action against Delott, FINRA was known as the National Association of Securities Dealers, or “NASD.”

- e. **Making statements that were false and misleading and omitting material facts on various topics during his Workshops, Fact Finders, and his Annuity Training Classes.**
11. Furthermore, **Delott**, as detailed in the AWC, was found to be in violation of NASD Rules 2210(d)(1)(A)-(C) and (d)(2)(C)(i) and 2110 for the statements he made and the materials he used in conducting his Workshops, Fact Finders, and Annuity Training that were not fair and balanced and were false, exaggerated, unwarranted or misleading. In particular **Delott** violated NASD Rules for, among other things:
- a. **Delott failed to present a complete and balanced description of EIAs, in that he failed to provide a complete discussion of the EIAs features, limitations, restrictions, risks, costs, and expenses.**
  - b. **Delott failed to disclose that the EIAs' guarantees are based on the claims-paying ability of the insurance company.**
  - c. **Delott failed to provide a fair and balanced discussion of multi-generational IRAs; e.g., he described how the value of a multi-generational IRA could grow, but failed to disclose the assumptions underlying his illustrations and that the ultimate value of the IRA could be reduced if his assumptions failed.**
  - d. **Delott made unwarranted, misleading and exaggerated statements regarding multi-generational IRAs, including the claim that financial advisors cannot and/or will not convert customers' accounts to multi-generational IRAs because of lack of expertise.**
  - e. **Delott recommended taking a reverse mortgage for the purchase of a life insurance policy, but failed to provide a complete discussion of the risks and costs of this strategy; e.g he failed to disclose material information such as the costs of purchasing the life insurance, the debt incurred in taking on the reverse mortgage, the potential risks and/or disadvantages of this strategy, and made exaggerated and unwarranted statements such as telling customers that they could take a reverse mortgage of \$100,000.00 and buying a life insurance policy with a death benefit of \$170,000.00 is a "70% rate of return with absolutely no risk."**
  - f. **Delott made unwarranted and misleading statements that he could manage stock and bonds without receiving commissions, when he was receiving a portion of the fee charges for the managed accounts.**
  - g. **Delott made exaggerated, unwarranted and misleading claims regarding EIAs, including the amount of returns on EIAs, principal guarantees, the liquidity of EIAs, the time horizon of an EIA investment, the benefits of deferring annuitization of the EIA, and the risks and costs of a bonus credit annuity.**

- h. **Delott made unwarranted, exaggerated and misleading statements that prospects' current brokers have a conflict of interest and recommend unsuitable investments because they earn commissions, but failed to disclose that he also received commissions for EIAs, single premium life insurance, and the managed accounts.**
- i. **Delott made exaggerated, unwarranted and misleading statements regarding the growth of the value of an EIA with a benefit known as the "Lifetime Pay Plus" option benefit. Delott stated that: "This benefit will allow your account worst case scenario, to grow at 7.2 percent, unless the performance of the S&P 500 is greater, you'll get the greater." Delott, however, was referring to the benefit base growing at 7.2 percent and not the account value. The benefit base is used to calculate how much the annual income withdrawals will be. This benefit base cannot be withdrawn or taken as a lump sum.**
- j. **Delott made exaggerated, unwarranted and misleading statements regarding various other topics including: the cost and duration of nursing home stays, the qualifications of financial advisors, the commissions charged by a prospects' current advisor, his qualifications and experience, and the scope of the background check conducted on him by a company called the National Ethics Bureau.**

12. Furthermore, as detailed in the AWC, FINRA found **Delott** in violation of NASD Rules 2210(d)(1)(B) and(C) as well as Rule 2110 for **Delott's** use of the book "*Take Charge of Your IRA. How to Avoid Tax Traps and Family Squabbles,*" written by another person, but for which **Delott** utilized different font size to imply that he was the author.

13. FINRA, as detailed in the AWC, also found **Delott** in violation of NASD Rules 2210(d)(1)(A) and (B), Rule 2210(d)(2)(C)(i) and Rule 2110 for making exaggerated, unwarranted and misleading statements, failing to provide fair and balanced discussions, and failing to disclose NFP Securities, Inc.'s name on his Workshop invitations. In particular, and among other things, the AWC points out that:

- a. **Several invitations contained the following statements: "You will learn: How to eliminate tax on your Social Security income...How to protect your assets without purchasing Long-Term Care Insurance...Learn strategies designed to work...What politicians aren't telling you about the new Social Security Plan." (Emphasis in Original) These statements are without a basis and therefore unwarranted.**
- b. **Several invitations contained the following statement: "You will learn: How to earn excellent stock market index-linked returns with a guarantee against market risk." This statement exaggerates the kinds of returns the investor should expect because and EIA limits the amount of stock market gains. Delott also failed to disclose that the product being sold is an EIA with limitations and restrictions and that the guarantees are based on the claims-paying ability of the insurance company.**

- c. **Several of the invitations contained the statement: “This is an education workshop with no attempt to sell specific products...or obligation.” This statement is unwarranted because Delott did discuss at the Workshops investments in specific EIAs.**
  - d. **Several of the invitations failed to disclose [NFP Securities, Inc.] as Delott’s member firm or failed to disclose it in a prominent manner in violation of NASD Rules 2210(d)(2)(C)(i) and 2110.**
14. As with **Delott’s** Workshop invitations, FINRA found **Delott’s** invitations to his Annuity Training to be rife with exaggerated and unwarranted statements in violation of NASD Rules 2210(d)(1)(A) and (B) and Rule 2110, and that he failed to disclose NFP Securities, Inc.’s name in violation of NASD Rules 2210(d)(2)(C)(i) and 2110. In particular, and among other things, the AWC points out that:
  - a. **Several invitations contain exaggerated statements, such as: “Field tested training and back office support to none,” “You will learn how to increase your productivity immediately after the training,” “Are You Ready to Double or Triple Your Income in 2009? With Delott & Associates, Inc., you can,” “[Delott is] Recognized Hands Down as the Top Trainer in the United States,” “Enjoy a complimentary breakfast with the Master of Annuity Sales,” “Learn how you can get people to stand in line to set appointments at your jam-packed seminars.”**
  - b. **Several of the invitations refer to Delott as the “2006 Senior Market Advisor of The Year,” but failed to disclose the basis for the award, i.e. the criteria upon which Delott was judged.**
  - c. **Several of the Invitations contain a reference to the “Amazing Driver’s License Close,” which exaggerates Delott’s ability and fails to explain the reference to the “Driver’s License Close.”**
  - d. **Several of the invitations failed to disclose [NFP Securities, Inc.] as Delott’s member firm or failed to disclose it in a prominent manner in violation of NASD Rules 2210(d)(2)(C)(i) and 2110.**
15. FINRA also found **Delott** in violation of NASD Rules 2210(d)(1)(A) and 2110 for making exaggerated, unwarranted or misleading statements related to his Insurance Company Advertising Materials; primarily his exaggerations and misstatements related to the capabilities of EIAs as a “short-term retirement savings tool,” the risks associated with EIAs, the surrender charge periods of EIAs, and his misleading statement that EIAs have “[u]pside potential without the downside risks.”
16. FINRA found that **Delott** violated NASD Rules 2210(b)(1) and 2110 for using his seminar training and sales materials without obtaining approval from his member firm.

17. FINRA also found that **Delott** violated NASD Rules 3030 and 2110 for engaging in the above-described outside business activities without obtaining approval from his member firm.
18. **Delott**, as detailed in the AWC, was prohibited from association with any FINRA member firm and assigned a \$35,000.00 deferred fine.
19. Section 11.F(7) of the Illinois Securities Law of 1953 [815 ILCS 5/1 *et seq*] ("the Act") states, *inter alia*, that whenever the Secretary of State finds that a person is currently expelled from, refused membership in or association with, or limited in any material capacity by a self-regulatory organization registered under the Federal 1934 Act or Federal 1974 Act because of a fraudulent or deceptive act or a practice in violation of a rule, regulation, or standard duty promulgated by the self-regulatory organization, the Secretary of State may, at his or her discretion, enter a Summary order of Prohibition, which shall prohibit the offer or sale of any securities by the person in this State.
20. By virtue of the above conduct, **Delott** is subject to a Summary Order of Prohibition pursuant to Section 11.F(7) of the Act.

NOW THEREFORE, IT IS HEREBY ORDERED THAT: pursuant to Section 11.F(7) of the Act, Respondent **STEVEN HOWARD DELOTT** is hereby **PROHIBITED** from offering or selling any securities in or from the State of Illinois.

NOTICE: A person who is the subject of a Summary Order of Prohibition may petition the Illinois Securities Department for a hearing to present evidence of rehabilitation or change in circumstances justifying the amendment or termination of the Summary Order of Prohibition.

The Respondent may request a hearing on this matter by transmitting such request in writing to the Director, Illinois Securities Department, 69 West Washington Street, Suite 1220, Chicago, Illinois 60602.

Dated: This 10<sup>th</sup> day of August, 2011.



JESSE WHITE  
Secretary of State  
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of the Section 12.D of the Act. Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of the Order, shall be guilty of a Class 4 Felony.

This is a final order subject to administrative review pursuant to the Administrative Review Law, {735 ILCS 5/3-101 et seq.} and the Rules and Regulations of the Illinois Securities Act, {14 Ill. Admin. Code Ch. I, Section 130.1123}. Any action for Judicial Review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.

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