

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 68118 / October 29, 2012

INVESTMENT ADVISERS ACT OF 1940
Release No. 3494 / October 29, 2012

ADMINISTRATIVE PROCEEDING
File No. 3-15081

In the Matter of

**TILDEN LOUCKS &
WOODNORTH, LLC, LASALLE
ST. SECURITIES, LLC, and
RALPH B. LOUCKS,**

Respondents.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934
AND SECTIONS 203(e), 203(f) AND 203(k) OF
THE INVESTMENT ADVISERS ACT OF
1940, MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), against Tilden Loucks & Woodnorth, LLC, LaSalle St. Securities, LLC, and Ralph B. Loucks (collectively the “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of

1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondents’ Offers, the Commission finds¹ that:

Summary

1. From October 1, 2007 through March 22, 2012, registered investment adviser Tilden, Loucks & Woodnorth, LLC (“Tilden”) obtained undisclosed compensation by charging increased commissions on trades for its clients through its affiliated registered broker-dealer, LaSalle St. Securities, LLC (“LaSalle”). Tilden inaccurately told clients they received a discount to LaSalle’s commission rates when actually Tilden set those commission rates at increased levels.

2. Most trades for Tilden’s clients are executed by LaSalle. From October 1, 2007 through March 22, 2012, Tilden’s clients paid commissions at LaSalle that averaged more than \$143 per trade, even though the majority of trades consisted of buys and sells of large cap equities. Tilden did not tell its clients the true nature of the commissions they were charged by stating in its Forms ADV that clients obtained a significant “discount” to LaSalle’s scheduled retail brokerage charges. However, LaSalle had no scheduled retail brokerage charges or commission schedules. Instead, unbeknownst to Tilden’s clients, Tilden set LaSalle’s commission charges at rates exceeding LaSalle’s charge to Tilden to execute a trade and the “discount” was in reality only a price lower than those reflected on a commission schedule used by Tilden that dated to at least 1988. Tilden’s undisclosed compensation practices netted it more than \$186,000 in higher commissions paid by advisory clients. Ralph B. Loucks (“Loucks”), Tilden’s former senior vice-president, who also served as a registered representative of LaSalle, shared in these commissions.

3. Loucks was aware of the inaccurately disclosed compensation arrangement. When forming Tilden in 1991, Loucks implemented Tilden’s compensation structure with LaSalle. Loucks was responsible for reviewing and approving the Forms ADV that contained the incomplete statements.

4. By setting commission rates that exceeded LaSalle’s charge to execute a trade, Tilden failed to seek best execution for its clients’ securities transactions. Further, Tilden made misleading statements in its Forms ADV concerning the steps it would take to evaluate execution of client trades and ensure that commission rates were reasonable.

¹ The findings herein are made pursuant to Respondents’ Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

5. As a result of the conduct described above, Tilden willfully violated Sections 206(2) and 207 of the Advisers Act; Loucks caused Tilden's violations of Section 206(2) of the Advisers Act and willfully caused Tilden's violations of Section 207 of the Advisers Act; and LaSalle, through Loucks, caused Tilden's violations of Section 206(2) of the Advisers Act.

Respondents

6. Tilden is a Delaware corporation headquartered in Chicago, Illinois. It has been registered with the Commission as an investment adviser since August 1994. It is a wholly owned subsidiary of a holding company, McDermott-Holdings 1, LP. Tilden manages 152 accounts for 103 clients with assets under management of approximately \$107 million. Two of Tilden's three employees are advisers who also are registered representatives of LaSalle.

7. LaSalle is a Delaware corporation headquartered in Elmhurst, Illinois. It has been registered with the Commission as a broker-dealer since December 1975. Like Tilden, LaSalle is a wholly owned subsidiary of McDermott-Holdings 1, LP. LaSalle clears trades through National Financial Services, LLC. LaSalle executes trades for over 25 advisers, including Tilden, and over 250 registered representatives who are, for the most part, affiliated with LaSalle as independent contractors.

8. Ralph B. Loucks, age 87, resides in Chicago, Illinois. Loucks formed Tilden in 1991. He was in overall charge of Tilden's day-to-day operations and served as its senior vice president until he retired from Tilden in June 2011. Loucks has been associated with LaSalle as a registered representative since April 1988. He holds series 7, 18, 24 and 63 licenses.

Facts

Background

9. All of Tilden's clients maintain brokerage accounts at LaSalle. LaSalle administers Tilden's back-office functions.

10. Tilden primarily recommends to its clients a "buy-and-hold" investment strategy. Most trades for Tilden's clients are initiated by Tilden's recommendation of the trade to the client.

11. Most trades for Tilden's clients are executed by LaSalle. Under the arrangement that Loucks established between the two firms, LaSalle charges Tilden certain fees for executing each trade. The fees that LaSalle charges Tilden are different than the commissions paid by a Tilden client for the same trade. LaSalle allows Tilden to set the amount to be charged to the clients as commissions. LaSalle has not created or maintained a standard commission schedule. Instead, LaSalle uses a commission schedule that Loucks provided to LaSalle when Loucks began executing trades through LaSalle. The commission schedule Loucks provided dates to at least 1988.

The Undisclosed Compensation

12. From October 1, 2007 through March 22, 2012, Tilden charged its clients commissions exceeding the fees it paid LaSalle to execute trades. The higher commissions paid by Tilden's clients represented undisclosed compensation for the benefit of Tilden and Loucks. During this period, clients paid on average \$143.77 per trade. However, Tilden paid LaSalle on average \$37.47 to execute Tilden's clients' trades. The amounts in excess of LaSalle's charges were paid to Tilden. These compensation practices, which were not adequately disclosed to Tilden's clients, netted Tilden \$186,608.12 in higher commissions paid by advisory clients. Although retired from Tilden, Loucks continues to receive 50% of the commissions charged to his former clients. From October 1, 2007 through March 22, 2012, Loucks received \$16,288.18 from the higher commissions charged to his former clients.

Inaccurate Disclosures to Clients

13. Tilden's Forms ADV, which Loucks reviewed and approved, contained inaccurate disclosures about commissions and he knew or should have known that he was contributing to Tilden's violations. Tilden filed its Forms ADV with the Commission and provided them to advisory clients.

14. Prior to the Form ADV filed by Tilden on September 17, 2008, Tilden's Form ADV provided limited disclosures regarding commissions and failed to inform clients that Tilden's affiliation with LaSalle resulted in increased commissions paid by the clients. Specifically, the Form ADV disclosed that Loucks was a registered representative of LaSalle and received compensation for executing trades through LaSalle, which created a conflict of interest. The Form ADV, however, stated: "The amount of commission paid is determined in relation to the amount of advisory fees paid (i.e. higher advisory fee, lower commission rates or vice-versa)." In fact, the commissions charged bore no relationship to the level of Tilden's advisory fees.

15. Tilden's Forms ADV filed after September 17, 2008 added disclosures regarding commissions, though the disclosures remained inaccurate. During that period, Tilden's Form ADV stated that, for all transactions executed through LaSalle, "clients may pay higher commission rates by using [LaSalle] than are available at other broker-dealers," and that there was a conflict of interest between "the client's desire to effect all transactions at the lowest possible cost and [Tilden's] desire to maximize income." However, Tilden's Form ADV disclosures during that period continued to be inaccurate because the ADVs inaccurately suggested that Tilden's affiliation with LaSalle worked to the clients' benefit. For example, the Form ADV stated:

Regarding trades affected through LaSalle St. Securities, LLC, the client is given a discount, usually in the range of 20%-35%, from LaSalle St. Securities, LLC's scheduled retail brokerage charges.

The amount of the discount, and hence the total amount of commission charged, is determined by Tilden, Loucks & Woodnorth, LLC and LaSalle St. Securities, LLC.

On a case-by-case basis, there may be instances where the discount may be further increased at the Portfolio Manager/Registered Representative's discretion.

If the client so elects to use an unaffiliated broker for some or all of his/her trades, [Tilden's] ability to negotiate commission discounts and otherwise obtain best price and execution (for example, in placing client over-the-counter stock or bond transactions with market makers) may be limited.

16. Despite these additional disclosures, Tilden's Forms ADV after September 17, 2008 did not describe the true arrangement with LaSalle. The "discount" described in the Forms ADV referred to prices lower than those reflected on an outdated commission schedule provided by Tilden and Loucks, not LaSalle. According to these disclosures, LaSalle charged commissions based on LaSalle's commission schedules. LaSalle, however, did not create or maintain commission schedules for purposes of executing trades for Tilden's clients. Finally, Tilden failed to disclose that it nearly always chose to increase commissions above LaSalle's charges to Tilden to execute a trade.

Tilden Failed to Seek Best Execution and Made Misleading Statements About Its Best Execution Policies

17. In its Forms ADV, Tilden included the following discussion of the firm's best execution policies:

[Tilden], although effecting trades through [LaSalle] in lieu of a decision by the client to use a different broker or brokers, will nonetheless conduct an annual survey of execution to ensure that transactions executed through [LaSalle] are producing reasonable commission rates and "best execution" of trades as that term is commonly understood. The annual survey will examine at least the following criteria: (1) quality of execution as evaluated with past experience and reputation; (2) accuracy and speed on oral and written confirmations and monthly statements; (3) demonstrated capability for prompt and timely delivery of cash and securities; (4) capital and financial resources of the broker/dealer relative to volume of customer transactions; and (5) other costs.

These disclosures were inaccurate because, in fact, Tilden did not ensure that trades executed through LaSalle produced reasonable commission rates or best execution. Tilden arranged for its clients to pay commissions that far exceeded what LaSalle charged Tilden to execute trades. Moreover, prior to December 2011, Tilden's annual best execution survey was incomplete and did not comply with the requirements described in its Forms ADV. Before 2009, there is no record of Tilden's best execution review. Beginning in 2009, Tilden documented a best execution review that used a template of at least 9 best execution factors to compare LaSalle with two other firms.

Most of the criteria for the comparison firms were marked “N/A,” which meant that Tilden failed to obtain any information to make a comparison. Tilden used this incomplete review to conclude that it obtained best execution on client trades with LaSalle.

Violations

18. As a result of the conduct described above, Tilden willfully violated Section 206(2) of the Advisers Act, which prohibits fraudulent conduct by an investment adviser, and Section 207 of the Advisers Act, which makes it “unlawful for any person willfully to make any untrue statement of a material fact in any registration application or report filed with the Commission...or willfully to omit to state in any such application or report any material fact which is required to be stated therein.”

19. As a result of the conduct described above, Loucks caused Tilden’s violations of Section 206(2) of the Advisers Act, which prohibits fraudulent conduct by an investment adviser, and Loucks willfully caused Tilden’s violations of Section 207 of the Advisers Act, which makes it “unlawful for any person willfully to make any untrue statement of a material fact in any registration application or report filed with the Commission...or willfully to omit to state in any such application or report any material fact which is required to be stated therein.”

20. As a result of the conduct described above, LaSalle caused Tilden’s violations of Section 206(2) of the Advisers Act, which prohibits fraudulent conduct by an investment adviser.

Undertakings

21. Tilden has undertaken within thirty (30) days to: (1) revise its Form ADV to disclose its compensation structure, how commissions charged to its clients by LaSalle are determined and the amounts LaSalle charges Tilden to execute trades; (2) provide the revised Form ADV to its clients; and (3) provide a copy of this Order to its clients.

22. Tilden shall certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Tilden agrees to provide such evidence. The certification and supporting material shall be submitted to John J. Sikora, Jr., Assistant Director, Asset Management Unit, Chicago Regional Office, 175 W. Jackson Boulevard, Suite 900, Chicago, IL 60604, or such other address as the Commission staff may provide, with a copy to the Office of Chief Counsel of the Enforcement Division, 100 F Street, NE, Washington, DC 20549, no later than sixty (60) days from the date of the completion of the undertakings.

IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest to impose the sanctions agreed to in Respondents’ Offers.

Accordingly, pursuant to Section 15(b) of the Exchange Act and Sections 203(e), 203(f) and 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Tilden and Loucks cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 207 of the Advisers Act.

B. LaSalle cease and desist from committing or causing any violations and any future violations of Section 206(2) of the Advisers Act.

C. Tilden and Loucks are censured.

D. Tilden, LaSalle and Loucks shall pay disgorgement and prejudgment interest as follows:

- (1) Tilden and LaSalle shall jointly and severally pay disgorgement of \$170,319.94 and prejudgment interest of \$16,531.06, and Tilden, LaSalle and Loucks shall jointly and severally pay disgorgement of \$16,288.18 and prejudgment interest of \$1,579.43, consistent with the provisions of this Subsection D. Within ten (10) days of the entry of this Order, Tilden, LaSalle and Loucks (up to \$16,288.18 of the total disgorgement) shall deposit the full amount of the disgorgement (the “Disgorgement Fund”) into an escrow account acceptable to the Commission staff and Respondents shall provide the Commission staff with evidence of such deposit in a form acceptable to the Commission staff. In addition, within ten (10) days of the entry of this Order, Tilden, LaSalle and Loucks (up to \$1,579.43 of the total prejudgment interest) shall pay the full amount of the prejudgment interest to the Commission for transmittal to the United States Treasury, in the manner provided in Subsection H below. If timely deposit of the Disgorgement Fund or timely payment of the prejudgment interest is not made, interest shall accrue pursuant to SEC Rule of Practice 600.
- (2) Tilden and LaSalle (the “Administrators”) shall be responsible for administering the Disgorgement Fund. The Administrators shall pay applicable portions of the Disgorgement Fund to affected current and former advisory clients of Tilden who paid from October 1, 2007 through March 22, 2012 commissions greater than the minimum commission charges (“Relevant Overcharged Commissions”), pursuant to a disbursement calculation (the “Calculation”) that has been submitted to, reviewed and approved by the Commission staff in accordance with this Subsection D. No portion of the Disgorgement Fund shall be paid to any client account directly or indirectly in the name of or for the benefit of Respondents. Any such funds shall be transferred to the Commission for transfer to the United States Treasury in accordance with Subsection D.5. below.
- (3) The Administrators shall, within sixty (60) days from the entry of this Order, submit a proposed Calculation to the Commission staff for its review and approval that identifies, at a minimum: (i) the name and account number(s) of each affected advisory

- client; (ii) the exact amount of the payment to be made to such client; and (iii) descriptions of the relevant transactions for which the clients are receiving payment. The Administrators also shall provide to the Commission staff such additional information and supporting documentation relating to the Relevant Overcharged Commissions as the Commission staff may request for the purpose of its review. In the event of one or more objections by the Commission staff to the Administrators' proposed Calculation and/or any of its information or supporting documentation, the Administrators shall submit a revised Calculation for the review and approval of the Commission staff and/or additional information or supporting documentation within ten (10) days of the date that the Administrators are notified of the objection, which revised Calculation shall be subject to all of the provisions of this Subsection D.
- (4) The Administrators shall complete the transmission of all amounts otherwise payable to affected advisory clients pursuant to a Calculation approved by the Commission staff within one hundred and twenty (120) days of the entry of this Order, unless such time period is extended as provided in paragraph (9) of this Subsection D.
- (5) If the Administrators do not distribute any portion of the Disgorgement Fund for any reason, including an inability to locate an affected advisory client after all reasonable efforts or any other factors beyond the Administrators' control, the Administrators shall send any such undistributed funds to the Commission for transfer to the United States Treasury after the final accounting provided for in this Subsection D is approved by the Commission. Any such payment shall be made in the manner provided in Subsection H below.
- (6) The Administrators shall be responsible for any and all tax compliance responsibilities associated with the Disgorgement Fund and may retain any professional services necessary. The costs and expenses of any such professional services shall be borne by the Administrators and shall not be paid out of the Disgorgement Fund.
- (7) Within one hundred and eighty (180) days after the date of entry of this Order, the Administrators shall submit to the Commission staff for its approval a final accounting and certification of the disposition of the Disgorgement Fund, which final accounting and certification shall be in a format to be provided by the Commission staff. The final accounting and certification shall include, but not be limited to: (i) the amount paid to each payee; (ii) the date of each payment; (iii) the check number or other identifier of money transferred; (iv) the date and amount of any returned payment; (v) a description of any effort to locate a prospective payee whose payment was returned or to whom payment was not made for any reason; and (vi) any amounts to be forwarded to the Commission for transfer to the United States Treasury. The Administrators shall submit proof and supporting documentation of such payment (whether in the form of fee credits, cancelled checks, or otherwise) in a form acceptable to the Commission staff and under a cover letter that identifies each respective Respondent (Tilden, LaSalle and Loucks) as Respondents in these proceedings and the file number of these proceedings to John J. Sikora, Jr., Assistant Director, Asset Management Unit, Chicago

Regional Office, Securities and Exchange Commission, 175 W. Jackson Boulevard, Suite 900, Chicago, Illinois, 60604, or such other address the Commission staff may provide. The Administrators shall provide any and all supporting documentation for the accounting and certification to the Commission staff upon its request and shall cooperate with any additional requests by the Commission staff in connection with the accounting and certification.

- (8) After the Administrators have submitted the final accounting to the Commission staff, the staff shall submit the final accounting to the Commission for approval and shall request Commission approval to send any remaining amount to the United States Treasury.
- (9) The Commission staff may extend any of the procedural dates set forth in this Subsection D for good cause shown. Deadlines for dates relating to the Disgorgement Fund shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday the next business day shall be considered to be the last day.

E. Tilden shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$100,000 to the United States Treasury. If timely payment is not made, interest shall accrue pursuant to 31 U.S.C. 3717. Payment must be made in the manner provided in Subsection H below.

F. LaSalle shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$100,000 to the United States Treasury. If timely payment is not made, interest shall accrue pursuant to 31 U.S.C. 3717. Payment must be made in the manner provided in Subsection H below.

G. Loucks shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$25,000 to the United States Treasury. If timely payment is not made, interest shall accrue pursuant to 31 U.S.C. 3717. Payment must be made in the manner provided in Subsection H below.

H. Payment of any amount stated herein must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or

- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying the respective Respondent making the payment (either Tilden, LaSalle and/or Loucks) as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to John J. Sikora, Jr., Assistant Director, Asset Management Unit, Chicago Regional Office, Securities and Exchange Commission, 175 W. Jackson Boulevard, Suite 900, Chicago, Illinois, 60604, or such other address the Commission staff may provide.

I. Tilden shall comply with the undertakings enumerated in Section III, paragraphs 21 and 22 above.

By the Commission.

Elizabeth M. Murphy
Secretary