

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 4774 / September 25, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-18205

In the Matter of

**ALETHEIA RESEARCH AND
MANAGEMENT, INC.,**

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 203(e) OF THE
INVESTMENT ADVISERS ACT OF 1940,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 203(e) of the Investment Advisers Act of 1940 (“Advisers Act”) against Aletheia Research and Management, Inc. (“Respondent” or “Aletheia”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) 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 it and the subject matter of these proceedings and the findings contained in Section III.2. below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant To Section 203(e) of the Advisers Act, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. Respondent was organized as a California corporation in 1997, and its principal place of business is in Santa Monica, California. Since 1998, Aletheia has been registered with the Commission as an investment adviser under Section 203 of the Advisers Act, 15 U.S.C. § 80b-3. Aletheia's corporate status was suspended by the State of California on October 1, 2012 for non-payment of taxes. On November 11, 2012, Aletheia filed for Chapter 11 bankruptcy in the U.S. Bankruptcy Court for the Central District of California. On December 28, 2012, the bankruptcy court ordered the appointment of a disinterested Chapter 11 trustee, Jeffrey I. Golden. Following his appointment, the bankruptcy trustee determined that it would not be in the best interests of the Aletheia bankruptcy estate or its creditors to continue operations as a going concern. On March 29, 2013, the bankruptcy court entered an order converting the bankruptcy case to a Chapter 7 liquidation proceeding. The bankruptcy court then appointed Mr. Golden to act as the Chapter 7 trustee.

2. On September 16, 2013, a final judgment was entered by consent against Respondent, permanently enjoining it from violation of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78j(b), and Rule 10b-5(a) & (c) thereunder, 17 C.F.R. §§ 240.10b-5(a) & (c); Sections 206(1), 206(2), 206(4), 207 & 204A of the Investment Advisers Act of 1940 ("Advisers Act"), 15 U.S.C. §§ 80b-6(1), (2), & (4), and Rules 206(4)-7(a), 206(4)-8(a), 204-1(a)(2), and 204A-1(a) thereunder, 17 C.F.R. §§ 275.206(4)-7(a), 275.206(4)-8(a), 275.204-1(a)(2), and 275.204A-1(a), in the civil action entitled *SEC v. Aletheia Research And Management, Inc., and Peter J. Eichler, Jr.*, Case No. CV12-10692 JFW (RZx), in the United States District Court for the Central District of California.

3. The Commission's complaint alleged that over a 27-month period, Peter J. Eichler, Jr. ("Eichler"), Aletheia's majority owner, chairman, chief executive officer and chief investment officer, executed block trades in option contracts for several Aletheia-managed accounts, but generally did not allocate these trades to client accounts until after trade execution. The late allocation of trades—which was hours and sometimes days following execution—frequently occurred, and enabled Eichler to "cherry-pick" trades by allocating them to certain accounts when realized or unrealized profits or losses were known to Eichler at the time of allocation. Through this fraudulent "cherry-picking," from mid-August 2009 through November 2011, Eichler disproportionately allocated profitable option trades to favored Aletheia-managed accounts (including Aletheia's proprietary trading account), and unprofitable option trades to disfavored Aletheia-managed hedge fund accounts, in violation of the anti-fraud provisions of the Exchange Act and Advisers Act. Aletheia had no policies or procedures designed to prevent this "cherry-picking," in violation of Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. Aletheia also failed to establish, maintain, and enforce a written code of ethics that reflected Aletheia's fiduciary obligations to its clients, in violation of Section 204A of the Advisers Act and Rule 204A-1(a) thereunder. Finally, Aletheia failed to disclose its precarious financial condition in

its September 14 and November 9, 2012 Forms ADV, and failed to promptly amend those Forms ADV, in violation of Sections 204 and 207 of the Advisers Act and Rule 204-1(a)(2) thereunder.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Aletheia's Offer.

Accordingly, it is hereby ORDERED pursuant to Section 203(e) of the Advisers Act that the registration of Aletheia as an investment adviser is hereby revoked.

By the Commission.

Brent J. Fields
Secretary