

The New York Times

**DealB%**k WITH FOUNDER  
ANDREW ROSS SORKIN

## S.E.C. Said to Be Investigating Money Manager's Trading Practices

By  
[Peter Lattman](#)

November 12, 2012 12:27 pm November 12, 2012 12:27 pm



Business News Network Peter Eichler Jr., a Los Angeles money manager, is the chief of Aletheia Research and Management.

**3:58 p.m. | Updated**

The [Securities and Exchange Commission](#) is investigating a Los Angeles money manager over accusations of improper trading practices, according to two people with direct knowledge of the case.

The news of the investigation of Peter J. Eichler Jr., the money manager, came as his firm, Aletheia Research and Management, filed for bankruptcy protection late Sunday after a wave of client withdrawals amid weak performance and regulatory issues.

Aletheia, which at its peak managed about \$8 billion, has drawn attention over its role in a number of shareholder fights, including a prominent battle with [Barnes & Noble](#) that it waged alongside the investor Ronald W. Burkle.

Mr. Eichler did not return repeated requests for comment. Aletheia's bankruptcy lawyer, Brian L. Davidoff, also did not return multiple calls.

The firm primarily manages stock portfolios for pension funds, foundations and wealthy families. Its strong investment performance — Aletheia’s flagship growth strategy has substantially outperformed the Standard & Poor’s 500-stock index over the last decade — has attracted marquee clients including Michigan’s state pension fund and the Ewing Marion Kauffman Foundation in Kansas City, Mo. The brokerage units of [Goldman Sachs](#) and [Morgan Stanley](#) had also invested clients’ money in Aletheia’s funds.

Aletheia, named after the Greek word for “truth and disclosure,” was founded in 1997 by Mr. Eichler, who spent a decade at [Bear Stearns](#) before starting his own firm.

He is a third-generation Los Angeles money manager. Mr. Eichler’s grandfather started Bateman Eichler & Company in 1931, which became one of the larger West Coast brokerage firms before it was sold to Kemper Securities in 1982. He is also the grandson of Henri de La Chapelle, an original partner of Paine Webber Jackson & Curtis.

The S.E.C. is said to be looking into accusations of trading misconduct, including whether client accounts were manipulated through the late allocations of trades. It is also examining whether money-losing trades were moved from client accounts into Aletheia’s accounts, according to a person with direct knowledge of the case who requested anonymity because he was not authorized to discuss the case publicly.

John Nester, a spokesman for the S.E.C., declined to comment.

Aletheia’s woes are the latest in a series of setbacks for the firm. In June 2011, it paid the S.E.C. \$400,000 to settle civil charges brought by the S.E.C. related to its maintaining deficient books and records. Around that time, Aletheia named Steve Olson, a former federal prosecutor, as its president, only to have him depart within months.

Mr. Eichler was also sued in 2010 by one of the firm’s senior executives, Roger B. Peikin, who says he was wrongfully terminated. The lawsuit accused Mr. Eichler of misconduct related to “trading practices, general disregard for regulatory controls, wanton expenditure of corporate assets for Eichler’s personal benefit, and overall neglect of the business side of Aletheia’s operations.”

In 2009, Proctor Investment Managers, a [private equity](#) firm based in New York, and Aletheia filed lawsuits against each other over the terms of a deal in which Proctor took a 10 percent stake in Aletheia.

Despite the various legal setbacks, Aletheia still managed \$1.8 billion as of June 30, according to securities filings.

Aletheia owes millions of dollars to its creditors, according to its bankruptcy filing, which was made late Sunday in United States Bankruptcy Court in Los Angeles. Creditors include Proctor Investment, which is said to be owed \$16 million by Aletheia; California’s state franchise tax board, which is said to be owed \$2.5 million; and the law firm Bingham McCutchen, which has a claim for \$730,000.

Mr. Peikin's lawsuit highlighted Mr. Eichler's lavish lifestyle, citing the use of private jets and \$18,000-a-night hotel suites. It said that Mr. Eichler spent \$7 million renovating the firm's offices at 100 Wilshire Boulevard, a prestigious building with sweeping views of the Pacific Ocean.

The lawsuit also depicted Mr. Eichler as a tyrannical boss who ruled Aletheia "with an iron fist."

"By hijacking control of Aletheia's board and eliminating Peikin from all management decisions, Eichler has successfully rid himself of all internal controls, allowing him free rein to operate Aletheia as his personal fiefdom," the complaint said.

Mr. Eichler, 54, who is driven around Los Angeles in a Maybach sedan, recently made two large real estate purchases, according to California property records, buying a \$4.5 million home in the Pacific Palisades and a \$15 million beachfront house in Malibu, which he later sold.

Aletheia has appeared most prominently in the business media for a number of large stock investments alongside Mr. Burkle, including a big stake in Barnes & Noble in 2010. The position led to litigation over whether Mr. Burkle and Mr. Eichler were improperly colluding to accumulate a controlling position in the company.

During the case, a Delaware judge mocked Mr. Eichler for repeatedly following Mr. Burkle on his investments. The judge wrote that the chance for Mr. Eichler to discuss stocks with Mr. Burkle was like an aspiring songwriter "getting to trade licks and lyrics with Bob Dylan."

[Aletheia Research and Management's bankruptcy petition](#)

[Peikin Case](#)

A version of this article appears in print on 11/13/2012, on page B2 of the New York edition with the headline: Money Manager Whose Firm Filed for Bankruptcy Is Said to Be Under Investigation.