

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 6927 / November 24, 2025

ADMINISTRATIVE PROCEEDING
File No. 3-22561

In the Matter of

RUDNEY ASSOCIATES, INC.
AND ERIC A. RUDNEY,

Respondents.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS
PURSUANT TO SECTIONS 203(e) 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 Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against Rudney Associates, Inc. (“Rudney Associates”) and deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 203(k) of the Advisers Act against Eric A. Rudney (“Rudney”).

II.

In anticipation of the institution of these proceedings, Rudney Associates and Rudney (together, “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 Sections 203(e) 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 finds that:

Summary

These proceedings arise out of long-standing compliance failures by Respondent Rudney Associates, a registered investment adviser, and its principal, Respondent Rudney. Rudney Associates violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder by failing to annually review the adequacy of its compliance policies and procedures, and by failing to implement its policies and procedures requiring it to (a) ensure that its Form ADV Part 2A ("brochure") was accurate and current, when the brochure inaccurately described how Rudney Associates determined advisory fees, and (b) obtain written investment advisory agreements with all of its clients. Rudney caused the firm's failure to obtain the written advisory agreements. Rudney Associates also violated Section 204 of the Advisers Act and Rule 204-2(a)(14) thereunder by failing to maintain a record of when it delivered its brochure to its clients.

Respondents

1. Respondent Rudney Associates, Inc. is a California corporation located in Alamo, California. Rudney Associates has been registered with the Commission as an investment adviser since 2001 and manages approximately \$869 million in client assets. Rudney Associates settled a Commission administrative and cease-and-desist proceeding in 2004 (the "2004 Enforcement Action") in which the Commission found that Rudney Associates willfully violated Sections 204, 206(1), 206(2), and 207 of the Advisers Act and Rules 204-2(a)(10), 204-2(a)(14), and 204-3(c) thereunder by: (a) failing to disclose a material potential conflict of interest involving Rudney Associates' receipt of \$20,000 from the broker-dealer to which it directed client trades; (b) failing to disclose in its brochure a soft-dollar arrangement between it and the broker-dealer; (c) failing to make annual offers of its brochure to its clients, and failing to maintain a record of annual offers of the brochure; and (d) failing to properly maintain copies of its written advisory agreements with its clients. *Rudney Assocs., Inc. & Eric A. Rudney*, Advisers Act Release No. 2300 (Sept. 21, 2004). The Commission ordered Rudney Associates to cease and desist from committing or causing any violations and any future violations of the above-referenced provisions. One of the terms of the settlement required Rudney Associates to retain an independent compliance consultant and take all necessary and appropriate steps to adopt and implement recommendations contained in a report prepared by the consultant.

2. Respondent Eric A. Rudney, age 68, resides in Danville, California. He is the founder, chief executive officer, president, and sole director of Rudney Associates. In the 2004 Enforcement Action, the Commission found that Rudney willfully aided and abetted and caused Rudney Associates' violations of Sections 204, 206(1), 206(2), and 207 of the Advisers Act and Rules 204-2(a)(10), 204-2(a)(14), and 204-3(c) thereunder and ordered him to cease and desist from committing or causing any violations and any future violations of these provisions.

Facts

3. The Commission's Division of Examinations staff conducted examinations of Rudney Associates in 2002, 2005, and 2020-2021. At the end of each examination, the staff sent a deficiency letter to Rudney Associates citing multiple compliance failures. The 2005 examination deficiency letter cited Rudney Associates for, among other things, not obtaining copies of advisory agreements signed by both Rudney Associates and its clients, and the 2020-2021 examination deficiency letter cited Rudney Associates for, among other things, failing to enter into written investment advisory agreements with all of its clients as required by its compliance manual. The 2020-2021 examination deficiency letter also cited Rudney Associates for failing to review annually its compliance policies and procedures.

Failure to Conduct Annual Compliance Reviews

4. Section 206(4) of the Advisers Act and Rule 206(4)-7(a) thereunder require investment advisers registered or required to be registered with the Commission to adopt and implement written policies and procedures reasonably designed to prevent violations by the adviser and its supervised persons of the Advisers Act and the rules adopted thereunder. Rule 206(4)-7(b) requires investment advisers registered or required to be registered with the Commission to review, no less frequently than annually, the adequacy of their compliance policies and procedures established pursuant to Rule 206(4)-7 and the effectiveness of their implementation.

5. From at least 2013 through 2020, Rudney Associates failed to perform annual compliance reviews as was required by Advisers Act Rule 206(4)-7(b).

Failure to Implement Policies and Procedures Regarding Client Fees

6. Most of Rudney Associates' clients are individual retail investors, including retirees.

7. Rudney Associates' compliance policies and procedures required it to periodically review and maintain its brochure on a current and accurate basis. In particular, the firm's policies and procedures required its brochure "to properly reflect and be consistent with" its fees. However, Rudney Associates' brochure misstated how Rudney Associates determined client fees. From at least 2013 through February 2025, Rudney Associates' brochure contained inaccurate information about the amount of advisory fees that clients would pay. The brochure stated that Rudney Associates' annual advisory fee "shall be based upon a percentage (%) of the market value and type of assets placed under the Registrant's management (between a negotiated amount and 2.20%) as follows" with the following table:

Market Value of Portfolio	% of Assets
\$0 to \$250,000	2.20%
\$250,000 to \$750,000	1.75%
\$750,000 to \$1,250,000	1.25%
\$1,250,000 to \$2,000,000	1.00%
\$2,000,000 and above	Negotiated

8. Rudney Associates has not determined client fees in accordance with this fee-tier table since at least 2013, although it has charged fees that are negotiated and are based on a percentage of assets under management.

9. Since at least 2013, Rudney Associates has negotiated a fee percentage with each individual client. Some of Rudney Associates' clients were charged fees higher than those published in the fee-tier table in its brochure. Certain of Rudney Associates' clients did not remember what percentage fee they had agreed to pay to Rudney Associates, although a majority of the firm's clients were charged a fee of one percent or less.

Failure to Implement Policies and Procedures Regarding Written Advisory Agreements

10. Rudney Associates' compliance policies and procedures required it to enter into written investment advisory agreements with all of its clients, and Rudney was aware of this policy. At all relevant times, it was Rudney's responsibility to obtain such agreements at the beginning of an advisory relationship and to follow up when a client did not sign an advisory agreement. However, Rudney often did not obtain signed investment advisory agreements from clients, even though the Commission's 2004 Enforcement Action found that he and the firm were responsible for a similar failure, and the Commission's staff identified similar failures in its 2005 and 2020-2021 examination letters, which were addressed to Rudney.

11. During the 2020-2021 examination of Rudney Associates by the Commission's staff, the firm was unable to provide written advisory agreements for the majority of a sample of its clients requested by the staff, but advised the Commission's staff that it was reviewing its files and expected to have signed advisory agreements for all of its clients within approximately four months. More than a year later, Rudney Associates still did not have written advisory agreements for all of its clients.

12. After the Commission's staff sent a letter to Rudney Associates following the 2020-2021 examination listing its compliance deficiencies, Rudney Associates engaged an independent compliance consultant to review its compliance policies and procedures, client disclosures, and internal controls. The consultant provided Rudney Associates with a report in November 2021 outlining the consultant's conclusions and making recommendations for improvement. Notably, the consultant's report stated that it was "imperative" that Rudney Associates implement a new version of its investment advisory agreement, and "stress[ed] the importance" of doing so. As of October 2024, Rudney and Rudney Associates still had not yet obtained investment advisory agreements for all clients.

Failure to Maintain Records of Brochure Deliveries

13. Section 204 of the Advisers Act and Rule 204-2(a)(14) thereunder require investment advisers registered or required to be registered with the Commission to make and keep a record of the dates that each brochure and each amendment thereto is given to any client or to any prospective client who subsequently becomes a client. The Commission's 2004 Enforcement Action found that Rudney Associates violated these provisions by failing to keep such records.

14. From at least 2011 through at least October 2024, Rudney Associates failed to keep a record of the dates on which it delivered its brochure to new clients and prospective clients who became clients, and the dates on which it delivered brochure amendments to clients.

Violations

15. As a result of the conduct described above, Rudney Associates willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. Section 206(4) of the Advisers Act makes it "unlawful for any investment adviser . . . to engage in any act, practice, or course of business which is fraudulent, deceptive, or manipulative." Rule 206(4)-7 requires investment advisers registered or required to be registered with the Commission to "[a]dopt and implement written policies and procedures reasonably designed to prevent violation . . . of the [Advisers] Act and the rules that the Commission has adopted under the [Advisers] Act," and to "[r]eview, no less frequently than annually, the adequacy of the policies and procedures established pursuant to this rule and the effectiveness of their implementation."

16. As a result of the conduct described above, Rudney Associates willfully violated Section 204 of the Advisers Act and Rule 204-2(a)(14) thereunder, which require investment advisers registered or required to be registered with the Commission to make and keep a record of the dates that each brochure and each amendment thereto is given to any client or to any prospective client who subsequently becomes a client.

17. As a result of the conduct described above, Rudney caused Rudney Associates' violations of Section 206(4) of the Advisers Act and Rule 206(4)-7(a) thereunder, which require investment advisers registered or required to be registered with the Commission to adopt and implement written policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder by the adviser and its supervised persons.

Undertakings

Rudney Associates has undertaken to:

18. **Independent Compliance Consultant**

a. Within sixty (60) days of the entry of this Order, Rudney Associates shall retain the services of an independent compliance consultant (the “Independent Consultant”) not unacceptable to the Commission staff. The Independent Consultant’s compensation and expenses shall be borne exclusively by Rudney Associates.

b. Rudney Associates shall provide to the Commission staff, within ninety (90) days of the entry of this Order, a copy of the engagement letter detailing the Independent Consultant’s responsibilities, which shall include the comprehensive compliance reviews as described below. Rudney Associates shall require that within ninety (90) days of being retained, the Independent Consultant shall review and make any recommendations regarding Rudney Associates’ written policies and procedures and the effectiveness of their implementation, in the following areas:

- i. The review, on an annual or more frequent basis, of Rudney Associates’ compliance policies and procedures;
- ii. The periodic review of Rudney Associates’ brochure and the maintenance of its brochure on a current and accurate basis;
- iii. Obtaining written advisory contracts with all current and future clients, signed by the client and by Rudney Associates; and
- iv. Rudney Associates’ maintenance of records of the dates that each brochure, Form ADV Part 2B brochure supplement, and Form CRS, and each related amendment, revision, or separate summary of material changes was given to a client or to any prospective client who subsequently becomes a client.

c. Rudney Associates shall require that, within forty-five (45) days after the completion of its review, the Independent Consultant shall submit a detailed written report of its findings to Rudney Associates and to the Commission staff (the “Report”). The Report shall describe in detail: (i) the review performed; (ii) the Independent Consultant’s findings, conclusions, and recommendations; (iii) any proposals made by Rudney Associates; and (iv) a procedure for Rudney Associates to adopt and implement the recommended changes in or improvements to its policies and procedures.

d. Rudney Associates shall adopt all recommendations contained in the Report within sixty (60) days of the date of the Report; provided, however, that within thirty (30) days after the date of the Report, Rudney Associates shall in writing advise the Independent Consultant and the Commission staff of any recommendations that Rudney Associates considers to be unduly burdensome, impractical, or inappropriate. With respect to any recommendation that Rudney Associates considers unduly burdensome, impractical, or inappropriate, Rudney Associates need

not adopt that recommendation at that time but shall propose in writing an alternative policy, procedure, or system designed to achieve the same objective or purpose.

e. As to any recommendation on which Rudney Associates and the Independent Consultant do not agree, such parties shall attempt in good faith to reach an agreement within thirty (30) days after Rudney Associates provides the alternative procedures described above. In the event that Rudney Associates and the Independent Consultant are unable to agree on an alternative proposal, Rudney Associates and the Independent Consultant shall jointly confer with the Commission staff to resolve the matter. In the event that, after conferring with the Commission staff, Rudney Associates and the Independent Consultant are unable to agree on an alternative proposal, Rudney Associates will abide by the recommendations of the Independent Consultant.

f. Within thirty (30) days of Rudney Associates' adoption of all of the recommendations in the Report, Rudney Associates shall certify in writing to the Independent Consultant and the Commission staff that it has adopted and implemented all of the Independent Consultant's recommendations in the Report. Unless otherwise directed by the Commission staff, all Reports, certifications, and other documents required to be provided to the Commission staff shall be sent to Jason H. Lee, Associate Director, Division of Enforcement, Securities and Exchange Commission, 44 Montgomery Street, Suite 700, San Francisco, California 94104, with a copy to the Office of Chief Counsel of the Enforcement Division via email to SECSettlementCertifications@sec.gov.

g. As part of its work with the Independent Consultant, Rudney Associates shall cooperate fully and provide the Independent Consultant with access to files, books, records, and personnel as are reasonably requested by the Independent Consultant for review and to access.

h. To ensure the independence of the Independent Consultant, Rudney Associates: (i) shall not have the authority to terminate the Independent Consultant or substitute another independent compliance consultant for the initial Independent Consultant, without the prior written approval of the Commission staff; and (ii) shall compensate the Independent Consultant and persons engaged to assist the Independent Consultant for services rendered pursuant to this Order at their reasonable and customary rates.

i. For the period of engagement and for a period of two (2) years from completion of the engagement, Rudney Associates shall not (i) retain the Independent Consultant for any other professional services outside of the services described in this Order; (ii) enter into any other professional relationship with the Independent Consultant, including any employment, consultant, attorney-client, auditing or other professional relationship; or (iii) enter, without prior written consent of the Commission staff, into any such professional relationship with any of the Independent Consultant's present or former affiliates, employers, directors, officers, employees, or agents acting in their capacity as such.

j. The Report by the Independent Consultant will likely include confidential financial, proprietary, competitive business or commercial information. Public disclosure of the reports could discourage cooperation, impede pending or potential government investigations, or undermine the objectives of the reporting requirement. For these reasons, among others, the report

and the contents thereof are intended to remain and shall remain non-public, except (i) pursuant to court order, (ii) as agreed to by the parties in writing, (iii) to the extent that the Commission determines in its sole discretion that disclosure would be in furtherance of the Commission's discharge of its duties and responsibilities, or (iv) as otherwise required by law.

k. Rudney Associates 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 Respondent agrees to provide such evidence. The certification and supporting material shall be submitted to Jason H. Lee, Associate Director, Division of Enforcement, Securities and Exchange Commission, 44 Montgomery Street, Suite 700, San Francisco, California 94104, with a copy to the Office of Chief Counsel of the Enforcement Division via email to SECSettlementCertifications@sec.gov, no later than sixty (60) days from the date of the completion of the undertakings.

l. Rudney Associates shall preserve, for a period of not less than six (6) years from the entry of this Order, the first two (2) years in an easily accessible place, any record of compliance with the undertakings set forth in this Order.

m. For good cause shown, the Commission staff may extend any of the procedural dates relating to the undertakings set forth in this Order. Deadlines for procedural dates 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.

IV.

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

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

A. Respondent Rudney Associates cease and desist from committing or causing any violations and any future violations of Sections 204 and 206(4) of the Advisers Act and Rules 204-2(a)(14) and 206(4)-7 thereunder.

B. Respondent Rudney cease and desist from committing or causing any violations and any future violations of Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder.

C. Respondent Rudney Associates is censured.

D. Respondent Rudney Associates shall comply with the undertakings enumerated in paragraph 18 above.

E. Respondent Rudney Associates shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$150,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Securities Exchange Act of 1934 Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

F. Payment must be made in one of the following ways:

- (1) Respondent Rudney Associates may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent Rudney Associates 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 Rudney Associates 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 Rudney Associates, Inc. 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 Jason H. Lee, Associate Director, Division of Enforcement, Securities and Exchange Commission, 44 Montgomery Street, Suite 700, San Francisco, California 94104.

G. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent Rudney Associates agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent Rudney Associates' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent Rudney Associates agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a

“Related Investor Action” means a private damages action brought against Respondent Rudney Associates by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman
Secretary