

## **U.S. SECURITIES AND EXCHANGE COMMISSION**

### **INVESTMENT ADVISERS ACT OF 1940**

**Release No. 2557 / September 26, 2006**

### **INVESTMENT COMPANY ACT OF 1940**

**Release No. 27503 / September 26, 2006**

### **ADMINISTRATIVE PROCEEDING**

**File No. 3-12436**

### **IN THE MATTER OF BRENDAN E. MURRAY**

The United States Securities and Exchange Commission (“Commission”) entered an Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(f) and 203(k) of the Investment Advisers Act of 1940, and Sections 9(b) and 9(f) of the Investment Company Act of 1940 (“Order”) against Brendan E. Murray (“Murray”). The Order alleges that Murray, age 44, of Island Park, New York, was the managing director of Cornerstone Equity Advisors, Inc. (“Cornerstone”), an investment adviser registered with the Commission from October 1998 until March 2002. According to the Order, from November 2001 through February 2002 Murray participated in a scheme to defraud Cornerstone’s advisory client, the Cornerstone Funds (the “Funds”), a family of mutual funds registered with the Commission. Along with another associated person of Cornerstone, Murray doctored invoices submitted to the Funds’ by certain service providers to request payments in excess of the amounts actually due. They then instructed the Funds’ administrator to pay a related entity rather than pay the providers directly. When the inflated payments reached the bank account of the related entity, the service providers were paid the actual amounts invoiced, and the excess amounts were used to pay salaries, which were increased during the three month period, and other expenses including office rent, health insurance, car service, meals and credit cards. Finally, the Order alleges that the fraudulent billing scheme led to the misappropriation of \$126,741 of Fund assets.

A hearing will be scheduled before an administrative law judge to determine whether the allegations contained in the Order are true, to provide Murray with an opportunity to dispute these allegations, and to determine what, if any, remedial sanctions are appropriate in the public interest. The Order requires Murray to file an answer to the allegations contained in the Order within 20 days after service of the Order, pursuant to Rule 220 of the Commission’s Rules of Practice and the Administrative Law Judge to issue an initial decision no later than 300 days from the date of service of the Order, pursuant to Rule 360(a)(2) of the Commission’s Rules of Practice.