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NORTHERN DISTRICT OF CALIFORNIA

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10 UNITED STATES DISTRICT COURT
11 NORTHERN DISTRICT OF CALIFORNIA
12 SAN FRANCISCO DIVISION

DMR

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15 SECURITIES AND EXCHANGE COMMISSION, Case No. CV
16 Plaintiff,
17 v.
18 JAMES MICHAEL MURRAY,
19 Defendant.

CV 12
COMPLAINT

1288

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21 Plaintiff Securities and Exchange Commission (the "Commission") alleges:

22 SUMMARY OF THE ACTION

23 1. James Michael Murray, a Marin County investment adviser, defrauded investors of
24 Market Neutral Trading, LLC, an investment fund he controlled, by providing them a phony audit
25 report issued by a fictitious audit firm. The phony audit report materially misstated the financial
26 condition and performance of the fund.

27 2. By engaging in the acts alleged in this Complaint, Murray violated a Commission rule
28 prohibiting fraud by investment advisers on investors in a pooled investment vehicle. The

1 Commission seeks an order enjoining Murray from future violations of the securities laws and
2 requiring him to pay a civil monetary penalty.

3 **JURISDICTION, VENUE, AND INTRADISTRICT ASSIGNMENT**

4 3. The Commission brings this action under Section 209(d) of the Investment Advisers
5 Act of 1940 (“Advisers Act”) [15 U.S.C. § 80b-9(d)].

6 4. This Court has jurisdiction over this action under Sections 209 and 214 of the
7 Advisers Act [15 U.S.C. §§ 80b-9 and 80b-14].

8 5. Venue in this District is proper under Section 214 of the Advisers Act [15 U.S.C.
9 § 80b-14] because defendant Murray resides in, and a substantial portion of the conduct alleged in
10 this complaint occurred within, the Northern District of California.

11 6. Assignment to the San Francisco Division is appropriate pursuant to Civil Local Rules
12 3-2(c) and 3-2(d) because acts and omissions giving rise to the Commission’s claims occurred,
13 among other places, in Marin County.

14 **DEFENDANT**

15 7. **James Michael Murray**, age 42, resides in Larkspur, California and, since 2006, has
16 served as sole member and investment adviser of Market Neutral Trading, LLC. He formerly worked
17 for at least three large brokerage firms. Murray has held Series 7, 63, and 65 securities licenses
18 issued by the Financial Industry Regulatory Authority, or, its predecessor, the National Association
19 of Securities Dealers.

20 **OTHER RELEVANT ENTITIES**

21 8. **Market Neutral Trading, LLC** (“MNT”) is a Delaware limited liability company
22 with its principal place of business in San Francisco, California. Its sole member and investment
23 adviser is James Murray. Since at least August 2008, MNT has operated as a fund that purported to
24 invest in securities. Murray has ultimate control over all trading decisions for the fund.

25 9. **Jones, Moore & Associates, Ltd.** (“JMA”) is a Delaware corporation with a
26 purported principal place of business is in Wilmington, Delaware. It purports to provide audit and
27 accounting services.

28

FACTUAL ALLEGATIONS

A. **Murray Formed MNT and, Through MNT and Other Related Entities, Raised More Than \$4.5 Million.**

10. According to some of its marketing materials, MNT purports to be a hedge fund that employs “a series of proprietary models and utilizes a broad cross-section of investment styles to identify investment opportunities,” investing primarily in domestic equities.

11. Murray is the sole member of MNT. He is also the fund’s investment adviser, managing all of the fund’s assets and making all investment decisions for the fund. For his services, Murray receives 25% of any profit realized by the fund.

12. Between July 29, 2008 and December 16, 2008, Murray, on behalf of MNT, raised approximately \$2 million from three investors.

13. Murray continues to solicit money from new investors. Between March 22, 2011 and November 18, 2011, Murray, on behalf of a new fund called Market Neutral Trading B, LLC, raised approximately \$2.6 million from seven investors.

B. **Murray Defrauded Investors When He Gave Them a Bogus Audit Report from a Fictitious Audit Firm.**

14. In 2009, MNT distributed to its investors what purported to be an independent auditor’s report from the firm of Jones, Moore & Associates, Ltd., entitled “Market Neutral Trading, LLC Financial Statements and Independent Auditors’ Report,” dated December 31, 2008 (“JMA Audit Report”). One investor received the report on or about May 27, 2009, and another investor received it on or about June 9, 2009.

15. According to the JMA Audit Report, JMA conducted an audit of MNT’s financial statements for the period ended December 31, 2008 in accordance with Generally Accepted Auditing Standards. In the report, JMA opined that MNT’s financial statements conformed with Generally Accepted Accounting Principles (“GAAP”).

16. The audit report was false and misleading in several respects.

17. First, the report falsely conveyed that a GAAP audit of MNT’s financial statements was conducted by a legitimate, third-party accounting firm. Far from being a legitimate accounting

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IV.

Grant such other and further relief as this Court may determine to be just and necessary.

DATED: March 15, 2012

Respectfully Submitted,



Robert S. Leach
Attorney for Plaintiff
SECURITIES AND EXCHANGE COMMISSION