

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 3501 / November 14, 2012**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-15093**

**In the Matter of**

**GARTH RONALD  
PETERSON,**

**Respondent.**

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

**I.**

The Securities and Exchange Commission (“Commission” or “SEC”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Garth Ronald Peterson (“Respondent”).

**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, Respondent consents to the Commission’s jurisdiction over him and the subject matter of these proceedings and to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 203(f) of the Investment Advisers Act of 1940, 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. Morgan Stanley & Co. Inc. (“Morgan Stanley”) is a Delaware corporation with its principal place of business in New York, New York. At all pertinent times, Morgan Stanley Real Estate (“MSRE”) was the business line around which Morgan Stanley organized its employees and its internal reporting of its global real estate investing business. Morgan Stanley in part conducted its real estate investing business through wholly-owned SEC-registered investment advisers to, and minority investors in, approximately a half-dozen investment companies, a/k/a funds, organized as Delaware limited partnerships. For each fund, Morgan Stanley formed a wholly-owned adviser that it registered with the SEC with its principal office and place of business at a Morgan Stanley address in New York, NY, and a website address of [www.morganstanley.com/realestate](http://www.morganstanley.com/realestate). As advisers and general partners to these funds, Morgan Stanley, through its employees in its MSRE business unit, raised capital and made and managed real estate investments world-wide.

2. Respondent Garth Peterson is a U.S. citizen and resident of Singapore. Peterson began working for Morgan Stanley in 2002 in Hong Kong. He was made the head of the Shanghai office of MSRE when that office first opened in 2006 and became a Managing Director of Morgan Stanley in 2007. Peterson’s principal responsibility at Morgan Stanley was to evaluate, negotiate, acquire, manage and sell their real estate investments on behalf of Morgan Stanley’s advisers and funds.

3. On May 3, 2012, a final judgment was entered by consent against Peterson, permanently enjoining him from future violations of Sections 13(b)(5) and 30A of the Securities Exchange Act of 1934 (“Exchange Act”) and Sections 206(1) and 206(2) of the Advisers Act and ordering him to pay disgorgement, in the civil action entitled Securities and Exchange Commission v. Garth Peterson, Civil Action Number CV12-2033, in the United States District Court for the Eastern District of New York.

4. The Commission’s complaint alleged that Peterson, from at least 2004 to 2007 while employed at MSRE, secretly acquired millions of dollars worth of real estate investments from Morgan Stanley’s funds for himself, the former Chairman of a Chinese state-owned entity with influence over the success of Morgan Stanley’s real estate business in Shanghai (“the Chinese Official”), and others. Peterson also arranged to have paid to himself and the Chinese Official at least \$1.8 million in what he misrepresented were finder’s fees Morgan Stanley’s funds owed to third parties. In exchange for offers and payments from Peterson, the Chinese Official helped Peterson and Morgan Stanley obtain business while personally benefitting from some of these same investments.

5. On April 25, 2012, Peterson pled guilty to one count of conspiracy to violate the Exchange Act’s internal controls provisions in violation of Title 18 United States Code, Section 371 before the United States District Court for the Eastern District of New York, in United States v. Garth Peterson, Crim. Information No. CR12-224. On August 28, 2012, a judgment in the criminal case was entered against Peterson. He was sentenced to a prison term of nine months and three years of supervised release.

6. In connection with that plea, Peterson admitted that, from at least in or around October 2004 until at least in or around August 2006, within the Eastern District of New York and elsewhere, Peterson, together with others, did knowingly and willfully conspire to circumvent the system of internal accounting controls of Morgan Stanley and Morgan Stanley Real Estate, which controls were sufficient to provide reasonable assurances that, among other things, transactions were executed in accordance with management's general and specific authorization, transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and any other criteria applicable to such statements and to ensure that Morgan Stanley maintained accountability for its assets, and access to assets was permitted only in accordance with management's general or specific authorization, contrary to Title 15, United States Code, Sections 78m(b)(5) and 78ff(a).

#### IV.

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

Accordingly, it is hereby ORDERED pursuant to Section 203(f) of the Advisers Act that Respondent Peterson be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, or transfer agent.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission,

Elizabeth M. Murphy  
Secretary