

STATE OF NEW HAMPSHIRE
BUREAU OF SECURITIES REGULATION
DEPARTMENT OF STATE
25 CAPITOL STREET
CONCORD, NH 03301

CONSENT ORDER

Morgan Stanley Smith Barney CRD#149777

COM10-000

- I. For purposes of settling the above-referenced matter and in lieu of further administrative proceedings, Morgan Stanley Smith Barney (hereinafter referred to as "MSSB"), has submitted an offer of settlement, which the Bureau of Securities Regulation, Department of State, State of New Hampshire (hereinafter referred to as "the Bureau") has determined to accept. Accordingly, and without admitting or denying the allegations herein, MSSB does hereby consent to this finding and Order of the Bureau:

STATEMENT OF FACTS

1. MSSB is a broker-dealer and investment advisory firm located at 2000 Westchester Avenue, Purchase, NY 10577. MSSB has a CRD number of 149777 and an SEC number of 8-68191. MSSB is engaged in the business of providing investment advisory services and effecting transactions in securities for its own account and the accounts of others. MSSB is a licensed broker-dealer and investment adviser in the State of New Hampshire.
2. During the years 2008 to 2009, the relevant time period, the Smith Barney Division of Citigroup Global Markets, Inc. ("CGMI"), was the broker-dealer and investment advisor for a New Hampshire investor (hereinafter referred to as Investor). Investor filed a complaint with the Bureau with respect to losses in his account occurring during the relevant time period due to CGMI's inadequate service of the account, and the Bureau embarked upon an investigation. As part of the investigation, the Bureau, under the authority of New Hampshire RSA 421-B submitted various written requests to MSSB for the production of documents associated with the Investor's account. Specifically, in March of 2011, the Bureau notified MSSB that it was demanding the production of certain account information of Investor. Said demand as well as several follow-up demands, were sent certified mail with a return receipt requested, and MSSB acknowledged receipt of those demands.
3. Despite numerous requests by the Bureau for production to be completed in full, MSSB failed to complete the production request until November 7, 2011. Certain parts of the production that

were requested in March 2011, were submitted to the Bureau beyond the time constraints required by the Bureau.

THE LAW

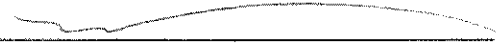
1. MSSB is a broker-dealer and investment adviser within the meaning of RSA 421-B:2.
 2. Pursuant to RSA 421-B:8,III and RSA 421-B:22,I the secretary of state may require at any reasonable time and in any reasonable manner from any company subject to RSA421-B to produce account records in a timely manner when requested by the Bureau. MSSB is subject to this provision.
 3. Pursuant to RSA 421-B:22, IV, the Bureau can assess the cost of this investigation.
 4. Pursuant to RSA 421-B:23, the Bureau can order the Respondent to cease and desist from violations of RSA 421-B.
 5. Pursuant to RSA 421-B:26,III, any person who, either knowingly or negligently, violates any provisions of this chapter may, upon hearing, and in addition to any other penalty provided for by law, be subject to such suspension, revocation or denial of any registration or license including an administrative fine not to exceed \$2,500, or both. Each of the acts specified shall constitute a separate violation. Respondent is subject to this section.
 6. Pursuant to RSA 421-B:26,III-a, every person who directly or indirectly controls a person liable under 421-B:26, every partner, principal executive officer, or director of such person, every person occupying a similar status or performing a similar function, every employee of such person who materially aids in the act or transaction constituting the violation,, and every broker-dealer or agent who materially aids in the acts or transactions constituting the violation, either knowingly or negligently, may, upon hearing, and in addition to any other penalty provided for by law, be subject to such suspension, revocation, or denial of any registration or license, including the forfeiture of any application fee, or any administrative fine not to exceed \$2,500, or both. Respondent is subject to this section.
 7. Pursuant to RSA 421-B:26,V, the Bureau can order restitution to be paid in this matter.
- II. In view of the foregoing, Respondent agrees to the following sanctions:
1. Respondent agrees that that they have voluntarily consented to the entry of this Order and represent and aver that no employee or representative of the Bureau has made any promise, representation or threat to induce their execution.

2. Respondent agrees to waive their right to an administrative hearing and any appeal therein under this chapter.
3. Respondent agrees that this Order is entered into for purpose of resolving only the matter as described herein. This Order shall have no collateral estoppel, res judicata or evidentiary effect in any other lawsuit, proceeding, or action, not described herein. Likewise, this Order shall not be construed to restrict the Bureau's right to initiate an administrative investigation or proceeding relative to conduct by Respondent which the Bureau has no knowledge at the time of the date of final entry of this Order.
4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any allegation in this consent order or create the impression that the consent order is without factual basis. Nothing in this provision affects Respondent's testimonial obligations or right to take legal positions in litigation in which the State of New Hampshire is not a party.
5. Upon execution of this Consent, Respondent pays costs to the Bureau in the amount of \$5,000.00 (Five Thousand Dollars). A certified check or mail order funds shall be made out to the State of New Hampshire.
6. Upon execution of this Consent, Respondent shall pay an administrative fine to the Bureau in the amount of \$10,000.00 (Ten Thousand Dollars). A certified check or mail order funds shall be made out to the State of New Hampshire.
7. Upon execution of this Consent, Respondent shall pay restitution to Investor in the amount of \$20,000.00 (Twenty Thousand Dollars). A certified check or mail order funds shall be made out to the Investor and sent to the Bureau.
8. All amounts shall be paid within 10 days of the execution of this Consent Order.
9. Should the Respondent fail to fully comply with any aspect of this Order, the Bureau may vacate this Consent and institute an enforcement proceeding allowable under RSA 421-B.

III. Based on the foregoing, the Bureau deems it appropriate and in the public interest to accept and enter into this Order. **THEREFORE, IT IS HEREBY ORDERED THAT:**

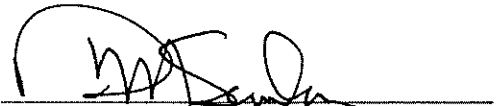
1. Respondent cease and desist.
2. Respondent pay costs to the Bureau in the amount of \$5,000.00.
3. Respondent pay a fine to the Bureau in the amount of \$10,000.00.
4. Respondent pay restitution to Investor in the amount of \$20,000.00, said funds to be delivered to the Bureau.
5. Respondent complies with the above-referenced undertakings.

Executed this 4th day of MAY, 2012.


Morgan Stanley Smith Barney
(Please print name below:)

KARL L. MARQUARDT, ESQ
V P, MSSB

Entered this 7th day of MAY, 2012.


Bureau of Securities Regulation
David Scanlan, Deputy Secretary of State