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REAL ESTATE August 16, 2012 8:53 pm ET

# Morgan Stanley Ex-Official in China Sentenced to 9 Months in Prison

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By CHAD BRAY

The former head of Morgan Stanley's **MS +0.85%** real-estate investing operations in China was sentenced to nine months in prison Thursday after he admitted earlier this year to conspiring to violate a U.S. anticorruption law.

Federal prosecutors alleged that Garth Peterson, a former managing director in the Morgan Stanley Real Estate Group's Shanghai office, conspired with two others, including a Chinese government official, to misappropriate a multimillion-dollar interest in a Shanghai apartment building being sold by a Morgan Stanley fund.

Morgan Stanley believed it was selling a 12% stake in the building to a unit of a state-owned real-estate company but instead sold shares to an entity controlled by Mr. Peterson, the Chinese official and a Canadian lawyer, prosecutors said.

The Chinese official headed Yongye, the state-owned company, and was a close friend and mentor, Mr. Peterson's lawyers said in court papers.

A lawyer for Mr. Peterson didn't return a phone call seeking comment late Thursday.

In April, Mr. Peterson pleaded guilty to a single count of conspiracy to evade the internal controls of a public company in violation of the Foreign Corrupt Practices Act, which bars U.S. companies and their employees from bribing or improperly co-opting foreign officials.

Enforcement of the act has been a top priority of the Justice Department in recent years, but the department had previously come under criticism for a lack of individual prosecutions. However, the department in the past year has brought criminal charges against a number of former executives, including a group of former officials at German conglomerate Siemens AG and Mr. Peterson.

In April, Mr. Peterson, who worked for Morgan Stanley from 2002 to 2008, also agreed to disgorge \$254,589 and to give up his interest in the apartment building to settle a separate but related civil lawsuit brought by the Securities and Exchange Commission.

On Thursday, U.S. District Judge Jack Weinstein sentenced Mr. Peterson to nine months in prison, to be followed by three years supervised release. No fine was imposed.



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Prosecutors had been seeking a sentence of at least four years and three months in prison. However, his lawyers has asked for no or minimal jail.

Morgan Stanley, which wasn't charged in the case, said it cooperated fully with the probe. "Mr. Peterson's intentional circumvention of Morgan Stanley's internal controls was a deliberate and egregious violation of our values and policies," the investment bank said.

*A version of this article appeared August 17, 2012, on page C3 in the U.S. edition of The Wall Street Journal, with the headline: Morgan Stanley Ex-Official Sentenced.*

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