**STATE OF OREGON**
**DEPARTMENT OF CONSUMER AND BUSINESS SERVICES**
**DIVISION OF FINANCE AND CORPORATE SECURITIES**
**ENFORCEMENT SECTION**
**BEFORE THE DIRECTOR OF THE**
**DEPARTMENT OF CONSUMER AND BUSINESS SERVICES**

| | |
|---|---|
| **In the Matter of:** | **S-09-0045** |
| **ADRIEL J. GAINES,** | **ORDER GRANTING CONDITIONAL SECURITIES SALESPERSON LICENSE** |
| **Applicant.** | |

**WHEREAS**, Adriel J. Gaines (the "Salesperson") became affiliated with Morgan Stanley Smith Barney ("the Broker-Dealer") as a securities salesperson on or about June 1, 2009.

**WHEREAS**, the Central Registration Depository ("CRD") number for the Salesperson is #2933961, and the CRD number for the Broker-Dealer is #149777.

**WHEREAS**, on or about June 9, 2009, the Broker-Dealer filed on behalf of the Salesperson an application for a securities salesperson license with the Oregon Division of Finance and Corporate Securities ("DFCS"), through the CRD.

**WHEREAS**, the Oregon Securities Law, at ORS 59.205(13) and OAR 441-205-0210, requires that every broker-dealer exercise diligent supervision over the securities activities of all of its associated persons.

**WHEREAS**, the Salesperson has significant, recent customer complaint history that causes DFCS, in the public interest, to require that the Broker-Dealer heighten its supervision of the

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Salesperson to allow the Salesperson to continue working during the pendency of the investigation.

**WHEREAS**, the Director of the Department of Consumer and Business Services ("the Director") **FINDS** that the securities salesperson license application filed with DFCS on or about June 9, 2009, was incomplete, pursuant to ORS 59.205(6).

**WHEREAS**, the Director has determined that the public interest is served by conditioning the Salesperson's license to require heightened supervision, pursuant to OAR 441-225-0030(1)(a).

**NOW THEREFORE**, the Director **GRANTS** a conditional securities salesperson license to the Salesperson, subject to all of the conditions and restrictions contained in "Exhibit A - Agreement for Conditional Securities Salesperson License in Oregon Requiring Heightened Supervision", which is attached to and incorporated within this Order.

**IT IS SO ORDERED.**

Dated this 24th day of July, 2009 at Salem, Oregon.

CORY STREISINGER, Director
Department of Consumer and Business Services

David Tatman, Administrator
Division of Finance and Corporate Securities

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State of Oregon
Department of Consumer and Business Services
Division of Finance and Corporate Securities
Enforcement Section

EXHIBIT A
AGREEMENT FOR CONDITIONAL SECURITIES SALESPERSON LICENSE IN OREGON REQUIRING HEIGHTENED SUPERVISION

The parties to this Agreement for Conditional Securities Salesperson License in Oregon Requiring Heightened Supervision ("this agreement") are the Director of the Oregon Department of Consumer and Business Services, Division of Finance and Corporate Securities ("DFCS"); Adriel J. Gaines ("the Salesperson"); Terry E. Allen ("the Supervisor"); and Morgan Stanley Smith Barney ("the Broker-Dealer").

The Central Registration Depository ("CRD") number for the Salesperson is #2933961; the CRD number for the Supervisor is #1302188; and the CRD number for the Broker-Dealer is #149777.

This agreement includes the following conditions and restrictions:

1. Term of Agreement: This agreement expires no less than 12 months from the date of this agreement. DFCS, at its discretion, may extend the length of the term of this agreement up to a period of twenty-four (24) months.

2. Branch Location and Supervisor: The Salesperson will work at the Broker-Dealer's branch office located at 400 Country Club Road in Eugene, Oregon ("the branch office"). The

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Supervisor will directly supervise the Salesperson. The supervisory requirements set forth herein may be performed by a "Qualified Designee." A Qualified Designee is a person who is Series 8 or Series 9/10 licensed.

3. New Accounts: The Supervisor or Qualified Designee will review and pre-approve each securities account, prior to the opening of the account by the Salesperson. Documentation sufficient to evidence the date approved and to evidence the person who approved each new account opened by the Salesperson will be retained in the branch office.

4. Correspondence: The Supervisor or Qualified Designee will review the Salesperson's incoming written correspondence upon receipt and will review outgoing correspondence before it is sent. Verification will be shown by the date and Supervisor's signature on the incoming correspondence and by the date and signature of the Supervisor on the copy of outgoing correspondence. The Supervisor or Qualified Designee will also conduct a weekly review of all external email received by or sent from the Salesperson (except email received from or sent to the Salesperson's immediate family). Documentation sufficient to evidence the date each external email was reviewed will be retained in the branch office.

5. Trades: The Salesperson will not exercise any discretion over client accounts or trades. All trades must be reviewed and approved by the Supervisor or Qualified Designee

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prior to settlement. As used herein, "settlement" means three days following the trade date. The review must verify the suitability of the transaction for the client based on the stated objectives and risk tolerance of the client. Evidence of review and approval is required. Should the Supervisor or Qualified Designee determine that a transaction is unsuitable for a client, the Supervisor or Qualified Designee will contact the client to discuss the trade, and, if the client so desires, the Broker-Dealer will reverse the transaction at no cost to the client prior to settlement. In the event the Supervisor or Qualified Designee is unable to reach the client to discuss the trade prior to settlement, the Supervisor or Qualified Designee will reach that client as soon thereafter as reasonably possible to discuss the trade, and, if the client so desires, the Broker-Dealer will reverse the transaction at no cost to the client.

6. Monthly Account Review & Client Follow-Up: Each month the Supervisor will review the Salesperson's Revenue Transaction Detail for unusual trades or activity. As used herein, "Revenue Transaction Detail" refers to a comprehensive list of each of the Salesperson's trades executed for each client, which includes information such as the trade date, whether it is a buy or sell order, the quantity, price paid, principal, revenue, product code and product code description. Each month the Supervisor will meet with the Salesperson to review the Revenue Transaction Detail and discuss the customer account activity

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with the Salesperson with a view toward discerning any unusual trends or trading activity. Each month the Supervisor will initial the Revenue Transaction Detail to evidence the review and will maintain those records for examination by DFCS and other regulatory authorities. The Supervisor or Qualified Designee must contact in person or by phone five clients each month, starting with clients who have purchased annuities at the Broker-Dealer through the Salesperson to confirm the client's understanding of the features and fees of the purchased annuities. (Include accounts serviced by the joint Financial Adviser number if they involve transactions in annuities or mutual funds). If all such clients have been contacted, the Supervisor or Qualified Designee will contact retired clients that appear on the Actimize alerts. Should the Supervisor or Qualified Designee determine that a transaction is unsuitable for a client, the Supervisor or Qualified Designee will contact the client to discuss the trade, and, if the client so desires, the Broker-Dealer will reverse the transaction at no cost to the client.

7. Complaints: All complaints pertaining to the Salesperson, whether verbal or written, will be immediately referred to the Supervisor for review. As soon as possible, but no later than five (5) business days following the Supervisor's receipt of a complaint, the Supervisor will submit an electronic record of the complaint through the Broker-Dealer's complaint

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system. Within 15 days, the Broker-Dealer will acknowledge receipt of the complaint to the complainant. For all complaints pertaining to the Salesperson, the Supervisor or Qualified Designee will maintain the following in a separate file:

a. A copy of the client's letter of complaint, arbitration complaint or court complaint. Forms documenting oral complaints will also be maintained in this folder.

b. The Broker-Dealer's written response to the complaint or its Answer to the arbitration or court complaint.

c. The Broker-Dealer's acknowledgement letter to the client confirming receipt of the complaint.

d. If a client responds to an initial response letter from the Broker-Dealer in writing that response will also be included, together with any further responses from the Broker-Dealer or the client.

e. Any settlement agreement between the Broker-Dealer, the Salesperson, the client and/or any other person affiliated with the Broker-Dealer.

In the event any complaint, whether verbal or written, that pertains to trading activity that occurred when the Salesperson was licensed through another Broker-Dealer is received by the Salesperson, the Supervisor or the Broker-Dealer, the Supervisor will, within five (5) business days, in the case of a written complaint forward the complaint, or, in the case of a verbal complaint send a letter containing a

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complete summary of the oral complaint, to the Broker-Dealer through whom the Salesperson was licensed at the time the trading activity that forms the subject of the complaint occurred. A copy of the transmittal letter forwarding the written complaint or summary of the verbal complaint will be retained at the branch office.

8. Monthly Reporting Requirements: On a monthly basis, the Broker-Dealer will submit a report to the Oregon Department of Consumer and Business Services, DFCS, Attn: Mr. Jack Kailey. In the case of any written complaint pertaining to the Salesperson, received during the previous month, the report will include a copy of the written complaint. In the case of any oral complaint pertaining to the Salesperson received during the previous month, the report will include a complete summary of the oral complaint, if any, concerning the Salesperson, including the customer name, product type involved in the complaint, amount of damages claimed, date of original transaction, and date of complaint. In the case of any such written or verbal complaint(s) pertaining to the Salesperson, received during the previous month, the report will include the results of the complaint, if any. The report will include what measures were taken by the Supervisor, if any, to investigate the merits of the complaint, including contact with the customer, the date the Supervisor submitted an electronic record of the complaint through the Broker-Dealer's complaint system

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and will include a copy of the complaint acknowledgement letter. Resolution of the matter will be documented and all the information will be retained in a separate file. Each report will be due no later than the 10th day of each month, beginning the first month after the date of this agreement.

9. Interim Supervisor: If the Supervisor will be on vacation or out of the office for an extended period (five or more business days), and if a Qualified Designee is not fulfilling all the duties required herein during the Supervisor's absence, the Supervisor will notify Jack Kailey as to the name and CRD number of the Salesperson's interim supervisor.

10. Change in Employment Status or Location: The Supervisor must notify Jack Kailey of any change to the Salesperson's employment status or location, within 10 business days of the change in employment status or location.

11. Quarterly reports: Each calendar quarter, the Supervisor must certify to Jack Kailey that the Salesperson, Supervisor and the Broker-Dealer are in compliance with all of the conditions and restrictions of this agreement. Each report will be due no later than 10 days following the end of each calendar quarter, beginning September 30, 2009, including December 31, March 31, and June 30.

12. Cooperation with DFCS investigation: Without waiving their attorney-client privilege, the Broker-Dealer, Supervisor,

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and Salesperson must continue to cooperate with the investigation being conducted by DFCS by providing any documents in their possession, or that they have access to, as well as other documents that may be requested, and the Salesperson will participate in any interview requested by DFCS.

13. Additional reporting requirements: Within fifteen (15) business day of receipt, the Broker-Dealer will provide to DFCS a copy of all of the following:

(a) any criminal complaint or conviction, fine, penalty, civil injunction, or civil judgment, court or administrative order or finding, or arbitration award relating to any securities transaction concerning the Salesperson; and

(b) any inquiry or proceeding by any governmental, regulatory or self-regulatory organization, concerning the Salesperson's securities activities.

14. Records of Heightened Supervision: The Supervisor will keep a record of all heightened supervision procedures performed under this agreement and a copy of this record will be maintained in accordance with ORS 59.195 and OAR 441-195-0010 through OAR 441-195-0030 in the branch. These records will be made available upon request of DFCS.

15. Breach of Agreement: In the event, after opportunity for hearing, the Director determines that the Broker-Dealer, Supervisor and/or Salesperson willfully or repeatedly violated one or more of the conditions or restrictions of this agreement,

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such violation of one or more of the conditions or restrictions in this agreement will constitute a failure to comply with a condition or restriction imposed on a license and order of the director, for the purposes of ORS 59.205(3).

16. Consequences of Breach of Agreement: In the event the Salesperson, Supervisor, or Broker-Dealer violates any term of this agreement, DFCS may institute an action to deny, suspend or revoke the Salesperson, Supervisor, and Broker-Dealer's license(s) and take any other appropriate action against the Salesperson, Supervisor, and Broker-Dealer. Nothing in this paragraph prevents DFCS from exercising any enforcement remedy available to DFCS resulting from any violation of one or more of the conditions or restrictions in this agreement, or resulting from any other violation of the Oregon Securities Law, ORS Chapter 59, and OAR Chapter 441.

Dated this 24th day of July, 2009 at Salem, Oregon.

CORY STREISINGER, Director
Department of Consumer and Business Services

David Tatman, Administrator
Division of Finance and Corporate Securities

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Each party signing below accepts this agreement as set forth above.

Morgan Stanley Smith Barney

By: _____
Authorized Signatory

Paul T Amsbury
Printed Name of Signatory

Complex Manager
Title

SUBSCRIBED AND SWORN TO BEFORE ME THIS 24 DAY OF July, 2009.

OFFICIAL SEAL
ANGELA PERRY
NOTARY PUBLIC-OREGON
COMMISSION NO. 403668
MY COMMISSION EXPIRES APRIL 6, 2010

_____
Signature of Notary Public

Angela Perry
Printed Name of Notary Public

Notary Public for the State of: Oregon

My commission expires: 4-6-2010

_____
Terry A. Allen

SUBSCRIBED AND SWORN TO BEFORE ME THIS ____ DAY OF _____, 2009.

_____
Signature of Notary Public

_____
Printed Name of Notary Public

Notary Public for the State of: _____

My commission expires: _____

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Each party signing below accepts this agreement as set forth above.

Morgan Stanley Smith Barney

By: _____
Authorized Signatory

_____
Printed Name of Signatory

_____
Title

SUBSCRIBED AND SWORN TO BEFORE ME THIS ____ DAY OF _____, 2009.

_____
Signature of Notary Public

_____
Printed Name of Notary Public

Notary Public for the State of: _____

My commission expires: _____

Terry E. Allen

SUBSCRIBED AND SWORN TO BEFORE ME THIS 24 DAY OF July 2009.

DOROTHY CLARKSTONE
Notary Public
3151 3RD AVENUE
PORT ALBERNI, B.C. V9Y 4C7
(250) 723-9747

Signature of Notary Public

Printed Name of Notary Public

Notary Public for the State of: _____

My commission expires: NON EXPIRING

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Adriel J. Gaines

SUBSCRIBED AND SWORN TO BEFORE ME THIS 27th DAY OF July, 2009.




Signature of Notary Public

Tina K. Johnson
Printed Name of Notary Public

Notary Public for the State of: Oregon

My commission expires: April 3, 2011

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