

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**  
**September 25, 2007**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12829**

**In the Matter of**  
  
**GUY P. RIORDAN,**  
  
**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE AND  
CEASE-AND-DESIST PROCEEDINGS PURSUANT  
TO SECTION 8A OF THE SECURITIES ACT OF  
1933, AND SECTIONS 15(b) AND 21C OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Guy P. Riordan (“Respondent” or “Riordan”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**Summary**

1. From 1996 through 2002, Riordan, a registered representative formerly associated with First Union Securities, Inc. (“First Union”), paid secret cash kickbacks to the former Treasurer for the State of New Mexico in exchange for obtaining securities transactions with the New Mexico State Treasurer’s Office (“NMSTO”).

**Respondent**

2. Riordan, age 57, is a resident of Albuquerque, New Mexico. From February 1997 through December 2002, Riordan was a registered representative associated with First Union, or its predecessor or successor entities, each of which was a broker-dealer registered with the Commission. From October 1993 through February 1997, Riordan was affiliated with another registered broker-dealer.

### **Other Relevant Person and Entity**

3. Michael M. Montoya was the elected State Treasurer for the State of New Mexico from January 1, 1995 through December 31, 2002 (the “relevant period”). Montoya, age 55, is a resident of Los Lunas, New Mexico.

4. First Union Securities, Inc., incorporated in Delaware, was a broker-dealer registered with the Commission from 1987 through 2001. First Union’s principal place of business was in Charlotte, North Carolina, and it had offices throughout the country, including Albuquerque, New Mexico. In September 2001, First Union became a part of Wachovia Corporation, another broker-dealer registered with the Commission.

### **The NMSTO’s Investment in Agency Securities**

5. During the relevant period, NMSTO invested a portion of the funds under its control in a type of investment known as “agency securities.” “Agency securities” are securities issued by or guaranteed by government corporations or government sponsored entities.

6. During the relevant period, the NMSTO purported to use a competitive bidding process whereby it solicited bids on each proposed transaction from three or more broker-dealers. After receiving all bids, the NMSTO was required to select the bid containing the best economic terms.

7. During the relevant period, Riordan, acting as a registered representative, frequently bid to conduct agency securities transactions on behalf of the NMSTO.

8. During the relevant period, Montoya chose which bid to accept among the bids received for agency securities transactions.

### **The Kickback Scheme**

9. During the relevant period, Riordan made secret cash payments to Montoya in exchange for Montoya choosing Riordan’s bids for the NMSTO’s purchase and sale of agency securities.

10. Riordan began making these cash payments to Montoya in approximately 1996, and he continued to make cash payments through the end of Montoya’s tenure as State Treasurer in December 2002.

11. In 2001 and 2002 alone, Montoya awarded the following agency securities transactions to Riordan in exchange for cash payments:

	Settlement Date of Transaction	Amount of Purchase or Sale	Purchase (P) or Sale (S)
a.	1/23/01	\$20,000,000.00	P
b.	11/30/01	\$20,000,000.00	S
c.	12/12/01	\$25,000,000.00	S
d.	12/19/01	\$30,000,000.00	S
e.	12/19/01	\$25,000,000.00	S
f.	3/28/2002	\$50,000,000.00	P
g.	4/1/2002	\$25,000,000.00	P
h.	4/1/2002	\$25,000,000.00	P
i.	5/2/2002	\$50,000,000.00	P
j.	6/3/2002	\$30,000,000.00	P
k.	7/18/2002	\$50,000,000.00	P
l.	9/13/2002	\$75,000,000.00	P
m.	9/13/2002	\$55,000,000.00	P
n.	10/2/2002	\$50,000,000.00	P
o.	10/2/2002	\$20,000,000.00	S
p.	10/2/2002	\$20,000,000.00	S
q.	10/2/2002	\$35,000,000.00	S
r.	10/2/2002	\$25,000,000.00	S

12. Riordan received \$343,863.50 in commissions from the above-listed agency securities transactions with the NMSTO during 2001 and 2002.

13 After each of the above-listed agency securities transactions with the NMSTO, Riordan met with Montoya in private and gave him cash in varying amounts roughly equal to 10% of the commission Riordan received on each transaction. Montoya would not select Riordan's bid on subsequent agency securities transactions until Riordan had paid Montoya cash from the previously awarded transaction.

14. Riordan knowingly made these payments to Montoya in exchange for Montoya selecting Riordan's bid for agency securities transactions, and in order to influence Montoya to select Riordan's bid on future transactions.

15. In exchange for Riordan's cash payments to Montoya, Riordan received preferential treatment in bidding on the NMSTO's agency securities transactions. For example, the NMSTO sometimes obtained bids from other registered representatives first, then called Riordan and informed him of the terms of the other bids. This enabled Riordan to provide the best bid. As result of this preferential treatment, during 2001 and 2002, the NMSTO awarded Riordan more agency securities transactions than any other bidder.

16. Riordan's payment of cash kickbacks to Montoya represented a device, scheme and artifice to defraud, and a fraudulent course of business which operated as a fraud or deceit upon the State of New Mexico and other market participants in the offer or sale and in connection with the purchase or sale of securities.

### **Violations**

17. As a result of the conduct described above, Riordan willfully violated Section 17(a) of the Securities Act, and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer and sale of securities and in connection with the purchase or sale of securities.

### **III.**

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act including, but not limited to, disgorgement, civil penalties and an accounting pursuant to Section 21B of the Exchange Act; and

C. Whether, pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, Respondent should be ordered to cease and desist from committing or causing violations of and any future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and whether Respondent should be ordered to pay disgorgement pursuant to Section 8A(e) of the Securities Act and Section 21C(e) of the Exchange Act.

### **IV.**

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true

as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Nancy M. Morris  
Secretary