

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933

Release No. 8890 / February 5, 2008

SECURITIES EXCHANGE ACT OF 1934

Release No. 57271 / February 5, 2008

INVESTMENT ADVISERS ACT OF 1940

Release No. 2701 / February 5, 2008

INVESTMENT COMPANY ACT OF 1940

Release No. 28142 / February 5, 2008

ADMINISTRATIVE PROCEEDING

File No. 3-12947

In the Matter of

**RITCHIE CAPITAL
MANAGEMENT L.L.C., RITCHIE
MULTI-STRATEGY GLOBAL
TRADING, LTD., A.R. THANE
RITCHIE, AND WARREN LOUIS
DEMAIO**

Respondents.

**ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS, MAKING
FINDINGS, AND IMPOSING REMEDIAL
SANCTIONS AND A CEASE-AND-DESIST
ORDER PURSUANT TO SECTION 8A OF
THE SECURITIES ACT OF 1933,
SECTION 21C OF THE SECURITIES
EXCHANGE ACT OF 1934, SECTIONS
203(e) AND 203(f) OF THE INVESTMENT
ADVISERS ACT OF 1940, AND SECTIONS
9(b) AND 9(f) OF THE INVESTMENT
COMPANY ACT OF 1940**

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”), Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Sections 9(b) and 9(f) of the Investment Company Act of 1940 (“Investment Company Act”) against Ritchie Capital Management L.L.C., Ritchie Multi-Strategy Global Trading, Ltd., A.R. Thane Ritchie, and Warren Louis DeMaio, pursuant to Section 203(e) of the Investment Advisers Act of 1940 (“Investment Advisers Act”) against Ritchie Capital Management LLC and Ritchie Multi-

Strategy Global Trading Ltd., and pursuant to Section 203(f) of the Investment Advisers Act against A.R. Thane Ritchie and Warren Louis DeMaio.

II.

In anticipation of the institution of these proceedings, Ritchie Capital Management L.L.C., Ritchie Multi-Strategy Global Trading, Ltd., A.R. Thane Ritchie, and Warren Louis DeMaio (“Respondents”) have submitted Offers of Settlement (the “Offers”) 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, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 8A of the Securities Act of 1933, Section 21C of the Securities Exchange Act of 1934, Sections 203(e) and 203(f) of the Investment Advisers Act of 1940, and Sections 9(b) and 9(f) of the Investment Company Act of 1940 (“Order”), as set forth below.

III.

On the basis of this Order and Respondents’ Offers, the Commission finds¹ that:

Respondents

1. **Ritchie Capital Management, L.L.C.** (“Ritchie Capital”), located in Geneva, Illinois, is an investment adviser for several hedge funds. During the relevant timeframe, Ritchie Capital managed a master feeder structure in which the master fund, the Ritchie Multi-Strategy Global Trading, Ltd, pooled assets from on-shore and off-shore funds. At its peak in 2003, Ritchie Capital had approximately \$1.23 billion under management. Securities traded in the fund included stocks, futures, derivatives, and mutual funds. Ritchie Capital’s mutual fund transactions were conducted using introducing brokers and dealers in fund securities or persons designated in a fund prospectus as authorized to consummate transactions in such fund’s securities, such as Bear Stearns Securities Corp. (“Bear Stearns”), Trautman Wasserman & Co. (“Trautman”), Banc of America Securities, and CIBC World Markets Corp. (“CIBC”).

2. **Ritchie Multi-Strategy Global Trading, Ltd.** (“RMS Fund”), is a Cayman Islands company incorporated on June 9, 1999. The RMS Fund is a part of a master feeder structure, which is an arrangement where investors’ money initially was placed into smaller sub-funds, called “feeder funds”, and then is pooled into a master fund, the RMS Fund. The sole shareholders of the RMS Fund are Ritchie Multi-Strategy Global, Ltd. (an off-shore feeder fund) and Ritchie Multi-Strategy Global LLC (an on-shore feeder fund).

¹ The findings herein are made pursuant to Respondents’ Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

3. **A.R. Thane Ritchie** (“**Thane Ritchie**”), age 41, is the Chief Executive Officer of Ritchie Capital, a firm that he founded in approximately 1998. During the relevant time-period, Thane Ritchie maintained a majority ownership interest in Ritchie Capital.

4. **Warren Louis DeMaio** (“**DeMaio**”), age 47, had responsibility for the oversight and supervision of mutual fund trading at Ritchie Capital from February 2001 through September 2003. During the relevant time-period, DeMaio was a member at Ritchie Capital and maintained a minority ownership interest in the firm.

Overview

5. From at least January 2001 through September 2003, Ritchie Capital engaged in an illegal late trading scheme. Specifically, Ritchie Capital placed thousands of late trades in mutual fund shares and used post-4:00 p.m.² news and market information to make its mutual fund trading decisions while receiving the same day’s net asset value (“NAV”) for the mutual funds traded. Thane Ritchie approved the use of late trading by Ritchie Capital’s mutual fund group, reviewed the performance of the group, and occasionally suggested mutual fund late trades. DeMaio supervised mutual fund trading at Ritchie Capital and was involved in the development of various mutual fund trading strategies, including late trading.

Late Trading

6. “Late trading” refers to the practice of placing orders to buy or sell mutual fund shares after the time as of which a mutual fund has calculated its NAV (usually as of the close of trading at 4:00 p.m.), but receiving the price based on the prior NAV already determined as of 4:00 p.m. Late trading enables the trader to profit from market events that occur after 4:00 p.m. but that are not reflected in that day’s price. In particular, the late trader obtains an advantage – at the expense of the other shareholders of the mutual fund – when he learns of market moving information and is able to purchase (or sell) mutual fund shares at prices set before the market moving information is released. Late trading violates Rule 22c-1(a) under the Investment Company Act and harms other shareholders when late trading dilutes the value of their shares.

Ritchie Capital Engaged in Late Trading with Trautman

7. From at least January 2001 through September 2003, Ritchie Capital used Trautman to execute thousands of mutual fund trades after 4:00 p.m. Ritchie Capital’s late trading scheme at Trautman was designed to allow Ritchie Capital to use post-4:00 p.m. information in making its trading decisions.

8. Prior to January 2002, Ritchie Capital occasionally engaged in late trading activity at Trautman. In late 2001, Ritchie Capital was offered the opportunity to significantly increase its late trading activity in a meeting attended by DeMaio with representatives from Trautman. As a result of this opportunity, Ritchie Capital devised a strategy for late trading domestic mutual funds. Specifically, Ritchie Capital’s strategy primarily focused on market

² This Order uses Eastern Time unless otherwise noted.

movement in the S&P 500 Index Futures after 4:00 p.m. Ritchie Capital believed there was a correlation between movement in the S&P 500 Index Futures and the domestic mutual funds that tracked the U.S. stock market. Thus, Ritchie Capital's strategy centered on the fact that post-4pm movement in the S&P 500 Index Futures market would not be reflected in domestic mutual funds' NAV that day, and thus would be incorporated into the next day's NAV.

9. Ritchie Capital also followed post-4:00 p.m. news, such as earnings and merger announcements, and political events, and used that information in making its trading decisions. Finally, on occasion, Ritchie Capital obtained the NAV for its most frequently traded domestic mutual funds, which was generally disclosed by the funds shortly after 4:00 p.m., and used that information before making its trading decisions.

10. By trading domestic mutual funds after 4:00 p.m., but at that day's NAV, Ritchie Capital was able to reap an advantage by having more information than the ordinary investor about whether to buy or sell mutual funds on any given day.

11. Ritchie Capital and Trautman devised certain procedures to carry out the trading scheme. On an almost daily basis, by approximately 3:45 p.m., Ritchie Capital traders sent to Trautman employees, via facsimile or electronic mail, spreadsheets that listed hundreds of potential mutual fund trades ("trade sheets"). These trade sheets, which were treated as order tickets, contained virtually every possible mutual fund trade that Ritchie Capital could place that day, including both purchases and sales of mutual fund shares.

12. Ritchie Capital sent these trade sheets to Trautman before 4:00 p.m., at Trautman's request, in order to obtain a pre-4 p.m. time-stamp. Trautman employees collected these trade sheets and stamped them at approximately 3:45 p.m. Although the trade sheets had pre-4:00 p.m. time-stamps, Trautman did not enter these trades for execution into its mutual fund routing system when it received the trade sheets and time-stamped them.

13. Ritchie Capital traders called Trautman regularly after 4:00 p.m. to confirm, modify and/or cancel trades that were listed on the trade sheets. Because Ritchie Capital submitted pre-4 p.m. nearly all possible mutual funds trades that it could make every day, its post-4 p.m. trading primarily consisted of picking which trades it wished to make off the trade sheets and asking Trautman to "cancel" or disregard others.

14. Trautman did not enter trades until it received a phone call from Ritchie Capital after 4:00 p.m. that confirmed or canceled the trades that were on the pre-4:00 p.m. trade sheets. Indeed, Ritchie Capital's trade sheets stated that the orders listed were subject to "verbal confirmation." Banc of America Securities was the clearing firm for mutual fund trades placed through Trautman.

15. On occasion, Ritchie Capital submitted wholly new orders after 4:00 p.m. that were not part of the trade sheets stamped before 4 p.m. Ritchie Capital also sometimes changed the number of mutual fund shares that should be traded post-4:00 p.m. from those listed on the trade sheets. Trautman entered these orders without creating new or modified trade sheets or restamping these trade sheets.

16. Recorded telephone conversations establish that Ritchie Capital engaged in late trading and that the purpose of the late trading scheme was to use post-4 p.m. market information. For example, on January 18, 2002 at 3:47 p.m., a Ritchie Capital trader, called a Trautman employee and informed him that “the domestic, we really can’t make. . . can’t even make a call . . . until after the stock market closes . . . so unless the market rallies between . . . 4:00 and 4:15, we’re not doing anything.” On March 14, 2002 at 5:38 p.m., a Ritchie Capital trader told a Trautman employee that in order for Ritchie Capital to trade mutual funds that night, “the market has got to move a decent amount in these after hours here.” On October 23, 2002 at 5:54 p.m., a Ritchie Capital trader instructed a Trautman employee on which mutual fund trades to execute and which to “throw out,” and, referring to the trade sheets, also directed him to substitute one fund for another.

17. This scheme gave Ritchie Capital as much as 2 ½ hours after the close of the U.S. stock market to make mutual fund trading decisions. The late trading was concealed because the order tickets had pre-4:00 p.m. time-stamps.

Ritchie Capital Used the Bear Stearns Electronic Platform To Engage in Late Trading

18. Ritchie Capital also used an existing Bear Stearns electronic trading platform to engage in late trading. In November 2000, Ritchie Capital had received access to Bear Stearns’ Mutual Fund Routing System (“MFRS”), an electronic mutual fund entry platform that processed orders until 5:45 p.m. or later. Ritchie Capital occasionally placed late trades in mutual funds in 2001.

19. When it devised its domestic mutual fund late trading strategy with Trautman in late 2001, Ritchie Capital traders realized that they could also use MFRS to conduct its late trading strategy and significantly increased its late trading activity.

20. From January 2002 through September 2003, Ritchie Capital placed late trades in domestic mutual funds through MFRS between 4:00 p.m. and 5:30 p.m. Bear Stearns’ trading records clearly identify the input times of these trades through MFRS, which were after 4:00 p.m. Recorded telephone conversations also establish that Ritchie Capital placed late trades using MFRS.

Ritchie Capital Placed Late Trades through CIBC

21. Ritchie Capital also placed mutual fund late trades through CIBC. Although late trading through CIBC did not occur on a daily basis, between 2001 and 2003, Ritchie Capital had the ability to and periodically did trade through CIBC as late as 4:30 p.m. Ritchie Capital’s late trading was limited to trading in international mutual funds during this time-period.

22. Ritchie Capital’s relationship with CIBC began when Thane Ritchie discovered that CIBC could process late trades. In an email dated July 11, 2001 to Warren DeMaio, Thane Ritchie explained:

CIBC mentioned they could go in to funds up intill [sic] 4:30 (not sure if it was our time on an occasional basis... Again [a Ritchie Capital trader] is probably not aware of this ... on a day like to day [sic] using this we probaly [sic] could have made an extra \$250k...

23. On an almost daily basis, Ritchie Capital traders sent via facsimile or electronic mail trade sheets to CIBC employees around 3:30 p.m. While these traders would usually call to confirm or cancel the trades shortly before or at 4:00 p.m., they would sometimes ask CIBC to hold the trade sheets past 4:00 p.m. In these circumstances, Ritchie Capital would then call back to make its final decision between 4:00 and 4:30 p.m. on which mutual funds to trade that day.

24. Recorded telephone conversations demonstrate that Ritchie Capital engaged in late trading with CIBC and used post-4:00 p.m. information to make its trading decisions. For example, at 4:26 p.m. on August 21, 2001, a Ritchie Capital trader called a CIBC employee to ask if he could execute mutual fund trades. Referring to the trade sheets, the CIBC employee responded, "I'm going to have to take it out of the garbage, but yeah." As another example, on May 7, 2002, a CIBC employee called a Ritchie Capital trader at 4:15 p.m. to check if he wanted to do any trades based on "Cisco's strong numbers."

25. Recorded telephone conversations with CIBC establish that Ritchie Capital knew that mutual fund trades had to be submitted before 4:00 p.m. and that its late trading scheme was improper. On July 15, 2003, a Ritchie Capital trader called a CIBC employee at approximately 4:00 p.m. to tell him there would be no mutual fund trades that day unless the market moved "four or five points." The CIBC employee responded, "Well, you have got some time. Intel is coming out with numbers, so if things go really sour and you want to go out just give me a call...I can just say, 'hey, he called me at 4:00 -- check the phone records.'"

Ritchie Capital Profited from its Late Trading

26. Ritchie Capital profited as a result of its late trading activity. Specifically, Ritchie Capital's post-4:00 p.m. trading resulted in a benefit of approximately \$30 million to the RMS Fund between 2001 and 2003 for its domestic mutual fund late trading through Trautman and Bear Stearns.

Thane Ritchie Approved the Late Trading Arrangement

27. Thane Ritchie initially approved the late trading strategy and was fully aware that the mutual fund group was using late trading as a strategy to trade domestic and international mutual funds. Thane Ritchie also occasionally suggested to individuals in the mutual fund group about potential opportunities to late trade mutual funds on a given day.

28. In addition, Thane Ritchie monitored the performance of the mutual fund group, which included the late trading strategy.

Warren DeMaio Oversaw the Late Trading Strategy

29. In late 2001, DeMaio met with representatives from Trautman where Ritchie Capital was offered the opportunity to late trade mutual funds through Trautman. As a result of this meeting, Ritchie Capital began its late trading strategy through Trautman. DeMaio oversaw the late trading strategy. Also, on occasion, he suggested potential opportunities to late trade mutual funds to individuals in the mutual fund group.

30. In addition, DeMaio monitored the performance of the mutual fund group, which included the late trading strategy. He also conferred regularly with individuals in the mutual fund group on their progress, including the late trading strategy. DeMaio supervised the Ritchie Capital trader who was primarily responsible for placing late trades with Trautman, Bear Stearns, and CIBC. DeMaio also reported on the performance of the mutual fund group to his supervisor, Thane Ritchie.

Violations

31. As a result of the conduct described above, Ritchie Capital, RMS Fund, Thane Ritchie, and DeMaio 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.

32. As a result of the conduct described above, Ritchie Capital, RMS Fund, Thane Ritchie, and DeMaio willfully aided and abetted and caused violations of Rule 22c-1 under the Investment Company Act by certain mutual funds, the funds' principal underwriters, persons designated in the funds' prospectuses as authorized to consummate transactions in the funds' securities, or dealers in the funds' securities. Rule 22c-1 requires mutual funds and their dealers to sell and redeem fund shares at a price based on the current NAV next computed after receipt of an order to buy or redeem.

Undertakings

Ritchie Capital has undertaken to:

33. **Distribution Plan.**

1. Within 90 days of the entry of this Order, Ritchie Capital shall develop a Distribution Plan to distribute fairly and proportionately to the affected mutual funds the total disgorgement and civil penalties described in Section IV below. In developing the Distribution Plan, Ritchie Capital shall consult with the adviser for each affected mutual fund, or any successor fund. Ritchie Capital shall provide the adviser with (a) a copy of this Order, (b) the proposed amount of disgorgement to be paid to the affected mutual fund, and (c) a description of the methodology used to calculate that amount.
2. Within 120 days of the entry of this Order, Ritchie Capital shall provide to the Commission staff a copy of the Distribution Plan.

3. Within 150 days of the entry of this Order, Ritchie Capital shall, if not unobjectionable to the Commission staff, submit the Distribution Plan to the Commission for the administration and distribution of disgorgement and civil penalties pursuant to Rule 1101 of the Commission's Rules on Fair Fund and Disgorgement Plans.
4. Following a Commission order approving the final Distribution Plan and appointment of a Plan Administrator, as provided in Rule 1104 of the Commission's Rules on Fair Fund and Disgorgement Plans. Ritchie Capital shall take all necessary and appropriate steps to assist the Commission-appointed Plan Administrator in the distribution of the disgorgement and civil penalties to the affected mutual funds.
5. Ritchie Capital shall bear the costs of administering and implementing the final Distribution Plan, including the costs of the Plan Administrator and a tax administrator for the distribution fund.

34. **Independent Compliance Consultant.**

1. Ritchie Capital shall retain, within 90 days of the date of entry of this Order, the services of an Independent Compliance Consultant not unacceptable to the staff of the Commission. The Independent Compliance Consultant's compensation and expenses shall be borne exclusively by Ritchie Capital. Ritchie Capital shall require the Independent Compliance Consultant to conduct a comprehensive review of its supervisory, compliance, and other policies and procedures designed to prevent and detect federal securities law violations by Ritchie Capital. Ritchie Capital shall cooperate fully with the Independent Compliance Consultant and shall provide the Independent Compliance Consultant with access to its files, books, records, and personnel as reasonably requested for the review.
2. Ritchie Capital shall require that, at the conclusion of the review, which in no event shall be more than 120 days after the date of entry of this Order, the Independent Compliance Consultant shall submit a Report to Ritchie Capital and the staff of the Commission regarding the adequacy of the Policies and Procedures. The Report shall include a description of the review performed, the conclusions reached and, if necessary, the Independent Compliance Consultant's recommendations for changes in or improvements to policies and procedures of Ritchie Capital, and a procedure for implementing the recommended changes in or improvements to the Policies and Procedures.
3. Ritchie Capital shall adopt all recommendations contained in the Report of the Independent Compliance Consultant; provided, however, that within 60 days after the date of the submission of the Report ("Report Date"),

Ritchie Capital shall in writing advise the Independent Compliance Consultant and the staff of the Commission of any recommendations that it considers to be unnecessary or inappropriate. With respect to any recommendation that Ritchie Capital considers unnecessary or inappropriate, Ritchie Capital need not adopt that recommendation at that time but shall propose in writing an alternative policy, procedure or system designed to achieve the same objective or purpose.

4. As to any recommendation with respect to which Ritchie Capital and the Independent Compliance Consultant do not agree, such parties shall attempt in good faith to reach an agreement within 120 days of the Report Date. In the event Ritchie Capital and the Independent Compliance Consultant are unable to agree on an alternative proposal, Ritchie Capital will abide by the determinations of the Independent Compliance Consultant.
5. One year from the Report Date, Ritchie Capital shall submit an affidavit to the Commission staff stating that it has implemented any and all actions recommended or agreed to by the Independent Consultant, or explaining the circumstances under which it has not implemented such actions.
6. Ritchie Capital (i) shall not have the authority to terminate the Independent Compliance Consultant, without the prior written approval of the staff of the Commission; (ii) shall compensate the Independent Compliance Consultant, and persons engaged to assist the Independent Compliance Consultant, for services rendered pursuant to this Order at their reasonable and customary rates; (iii) shall not be in and shall not have an attorney-client relationship with the Independent Compliance Consultant and shall not seek to invoke the attorney-client or any other doctrine or privilege to prevent the Independent Compliance Consultant from transmitting any information, reports, or documents to its board of directors or the Commission.
7. Ritchie Capital shall require the Independent Compliance Consultant to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Independent Compliance Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Ritchie Capital, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Independent Compliance Consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Independent Compliance Consultant in performance of his/her duties under this Order shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Ritchie Capital, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for

the period of the engagement and for a period of two years after the engagement. .

35. **Continuing Application of Undertakings.** The undertakings of Ritchie Capital herein shall continue to apply respectively to Ritchie Capital or its successors for as long as Ritchie Capital or its successors continue to offer and sell securities or until an undertaking terminates according to its terms; provided, however, that any successor to Ritchie Capital may petition the Commission and obtain relief from such undertakings if the successor can demonstrate that it has sufficient controls and procedures reasonably designed and implemented to detect and prevent the occurrence of the conduct summarized herein.

36. **Deadlines.** For good cause shown, the Commission's staff may extend any of the procedural dates set forth above.

IV.

In view of the foregoing, the Commission deems it appropriate, and in the public interest, to impose the sanctions in the Offers submitted by the Respondents.

Accordingly, pursuant to Section 8A of the Securities Act, Section 21C of the Exchange Act, Sections 203(e) and 203(f) of the Advisers Act, and Section 9(b) and 9(f) of the Investment Company Act, it is hereby ORDERED that:

A. Ritchie Capital, RMS Fund, Thane Ritchie, and DeMaio shall cease and desist from committing or causing any violations 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 Rule 22c-1 under the Investment Company Act.

B. Pursuant to Section 203(e) of the Advisers Act, Ritchie Capital is hereby censured.

C. Ritchie Capital and RMS Fund shall, within 7 days of the entry of this Order, pay disgorgement, jointly and severally, in the amount of \$30 million and prejudgment interest, jointly and severally, in the amount of \$7,441,966.82, to the Securities and Exchange Commission. Such payment shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Ritchie Capital and RMS Fund as Respondents in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Robert J. Burson, Senior Associate Regional Director, Chicago Regional Office, 175 West Jackson Street, Suite 900, Chicago, Illinois 60604.

D. Ritchie Capital and Thane Ritchie, shall, within 7 days of the entry of this Order, pay a civil money penalty, jointly and severally, in the amount of \$2.5 million to the Securities

and Exchange Commission. Thane Ritchie shall, within 7 days of the entry of this Order, also pay disgorgement in the amount of \$1.00 to the Securities and Exchange Commission. Such payments shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Ritchie Capital and Thane Ritchie as Respondents in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Robert J. Burson, Senior Associate Regional Director, Chicago Regional Office, 175 West Jackson Street, Suite 900, Chicago, Illinois 60604.

E. Warren DeMaio shall, within 7 days of the entry of this Order, pay disgorgement in the amount of \$1.00 and a civil money penalty in the amount of \$250,000 to the Securities and Exchange Commission. Such payments shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Warren DeMaio as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Robert J. Burson, Senior Associate Regional Director, Chicago Regional Office, 175 West Jackson Street, Suite 900, Chicago, Illinois 60604.

F. It is further ordered that, pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a Fair Fund is created for the disgorgement and penalties referenced in Section IV, paragraphs C, D, and E above. Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that they should not, after offset or reduction in any Related Investor Action based on Respondents' payment of disgorgement in this action, argue that they shall be entitled to, nor shall they further benefit by offset or reduction of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

G. Ritchie Capital shall comply with the undertakings enumerated in Section III ¶¶ 33-36 above.

By the Commission.

Nancy M. Morris
Secretary