

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 11237 / September 19, 2023

SECURITIES EXCHANGE ACT OF 1934
Release No. 98432 / September 19, 2023

INVESTMENT ADVISERS ACT OF 1940
Release No. 6425 / September 19, 2023

INVESTMENT COMPANY ACT OF 1940
Release No. 34999 / September 19, 2023

ADMINISTRATIVE PROCEEDING
File No. 3-21678

In the Matter of

CLARK REINER

Respondent.

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

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 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Clark Reiner (“Reiner” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) 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 him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Section 21C of the Exchange Act of 1934, Sections 203(f) and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds¹ that

Summary

This proceeding concerns material misrepresentations made by Reiner to investors in Woodstock Capital Partners, LP (“Woodstock Partners”), a hedge fund that he managed through its general partner, Woodstock Capital, LLC (“Woodstock Capital”). Woodstock Partners was a feeder fund which invested its assets into a master fund, Woodstock Master Capital, Ltd. (the “Woodstock Fund”). Between February 2019 and April 2021 (the “Relevant Period”), Woodstock Capital raised approximately \$10 million from two investors in the now defunct Woodstock Fund. Reiner, who was Woodstock Capital’s principal and manager throughout the Relevant Period, materially misrepresented Woodstock Fund’s investment strategy to these two investors. After telling investors that their funds would be invested in, for example, government bonds and other debt securities, the Woodstock Fund actually traded derivatives.

Respondent

1. During the Relevant Period, Reiner was principal and manager of Woodstock Capital, an unregistered investment adviser. As manager of Woodstock Capital, Reiner was responsible for advising the Woodstock Fund, and received compensation for the same. From 2003 to 2009, Reiner was the co-head of in-house operations and compliance at a firm registered with the Commission as both a broker-dealer and an investment adviser, and previously held multiple FINRA licenses. Reiner is 59 years old and a resident of Key West, Florida.

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

Other Relevant Entities

2. Woodstock Partners is a Delaware limited partnership which operated as a “feeder” fund, investing all of its assets into the Woodstock Fund. Woodstock Partners held itself out as being primarily engaged in the business of investing and trading in securities, and self-identified as a pooled investment vehicle in a Commission filing by claiming reliance on the exclusion from the definition of “investment company” provided in Section 3(c)(1) of the Investment Company Act. Woodstock Partners and the Woodstock Fund are no longer operational.

3. Woodstock Capital is a New Jersey limited liability company with its principal place of business in Watchung, New Jersey. Woodstock Capital was the general partner of Woodstock Partners and was primarily responsible for management of the partnership, including by providing investment advice to the Woodstock Fund. Woodstock Capital held itself out as being in the business of advising the Woodstock Fund on the value and advisability of investing in securities, and received compensation for the same. Woodstock Capital had \$10 million in assets under management during the Relevant Period. Woodstock Capital was at no time registered with the Commission as an investment adviser and is no longer operational.

Background

4. Reiner formed Woodstock Capital with three other individuals, including Person A. Person A did not hold an official title at Woodstock Capital, but had a revenue sharing agreement with Woodstock Capital. Beginning in approximately February 2019, Person A began introducing potential investors to Woodstock Capital. Woodstock Capital provided prospective investors with subscription materials for Woodstock Partners, including a Private Placement Memorandum (“PPM”). Between February and August 2019, no investors invested any funds with Woodstock Partners.

The Charter School

5. In August 2019, Person A introduced Woodstock Capital to a charter school located in Minnesota (the “Charter School”). In the following weeks, Person A and others associated with Woodstock Capital communicated with representatives from the Charter School concerning the Charter School’s potential investment in the Woodstock Fund. On August 29, 2019, Reiner sent an email to the Charter School (the “August 29 Email”) providing certain materials including the PPM. In that email, Reiner wrote that while there was “broad investment discretion for the benefit of the investors, long term . . . the overwhelming directive of [the Woodstock Fund] . . . is, as we agreed, to allocate and deploy investment by [the Charter School] in the following manner.” In the paragraphs that followed, Reiner outlined the Woodstock Fund’s investment strategy. Among other things, Reiner said that:

- “[f]unds will be invested in US and European Government Bonds and Short-Term interest rate debt securities . . .”

- the Woodstock Fund “will concentrate on benchmark 10-year US bonds and European equivalents, as well as Short-term Notes and interest rate products . . .”
- the Woodstock Fund “will focus on buying these debt securities at discounts through regulated markets”
- the Woodstock Fund’s “primary investment strategy is to profit from acquiring discounted debt and short-term interest rate bearing instruments while at the same time providing liquidity to [Woodstock] and their affiliates.”

Each of these representations were materially false. As further described in paragraph 8, the Woodstock Fund did not invest funds in government bonds or other debt securities, and neither concentrated nor focused on such products.

6. Reiner also attached to the August 29 Email two purportedly “representative statements” from “Woodstock traders,” which he said reflected monthly profits of 19.79% and 39.32% for June and July 2019, respectively. These representations were materially misleading. Woodstock Capital had not secured any investor funds by June or July 2019, such that the statements did not reflect trading *by* Woodstock Capital, or *for* the Woodstock Fund. Instead, the statements were excerpts of trading activity conducted by offshore traders that were later engaged by Woodstock Capital to trade on behalf of the Woodstock Fund, but were not trading on behalf of or for the benefit of the Woodstock Fund at that time.

7. On September 6, 2019, Reiner sent a signed letter to the Charter School, “to formally memorialize[]” the content he had outlined in his August 29 Email. Again, Reiner outlined the Woodstock Fund’s investment strategy, in a manner substantially identical to the description provided in the August 29 Email. Like the representations in the August 29 Email, these representations were materially false.

8. Contrary to Reiner’s representations, the Woodstock Fund did not invest in government bonds, short-term notes, or other debt securities. Woodstock Capital began trading on behalf of the Woodstock Fund in approximately October 2019. At the end of October 2019, the Woodstock Fund held, instead, derivative products linked to interest rates, currencies, and domestic and foreign government bonds, and its value had decreased by 2.69% for the month. Similarly, at the end of November 2019, the Woodstock Fund held derivative products linked to interest rates, currencies, and domestic and foreign government bonds, and its value had decreased by an additional 11.38% for the month. At no time during the Relevant Period did the Woodstock Fund hold a single government bond, or any other debt security, despite Reiner’s representations to the Charter School that it would be the operative investment focus, concentration, and strategy.

9. The Charter School invested \$5 million with Woodstock Partners on or about September 10, 2019. Ultimately, the Charter School’s \$5 million investment decreased to approximately \$700,000 in value before it was redeemed in April 2021.

The Real Estate Fund

10. In October 2019, Woodstock Capital began communicating with a real estate investment company about the possibility of one of its funds (the “Real Estate Fund”) investing in Woodstock Partners. As with the Charter School, Person A and others had communications with representatives from the Real Estate Fund concerning potential investment, and Reiner provided the Real Estate Fund materials, including the PPM. On November 6, 2019, Reiner sent an email to the Real Estate Fund; in it, Reiner says that the PPM he provided “describes the fund structure in broad terms,” but that the “attached letter provides a more specific description of our capital markets strategy.” Reiner adds that reading the letter will provide a “more thorough understanding of the [Woodstock Fund’s] investment focus,” thus downplaying the significance of the PPM (which provided broad discretion) and focusing the Real Estate Fund on the attached letter. The letter, signed by Reiner, is largely similar to the version provided to the Charter School. Specifically, it advises that funds will be invested in government bonds and interest rate debt securities, and that the Woodstock Fund will “concentrate” on 10-year US bonds and European equivalents, short-term notes, and interest rate products, and referring to the above as “debt securities.” The representations were materially false.

11. Contrary to Reiner’s representations, the Woodstock Fund did not invest in government bonds, short-term notes, or other debt securities. For example, at the end of December 2019, the Woodstock Fund held derivative products linked to interest rates, currencies, and domestic and foreign government bonds, and its value had decreased by 2.74% for the month.

12. The Real Estate Fund invested \$5 million with Woodstock Partners on or about December 3, 2019. Ultimately, the Real Estate Fund’s \$5 million investment decreased to approximately \$761,000 in value before it was ultimately redeemed in April 2021.

13. During the Relevant Period, Reiner personally received \$24,995 in management fees from Woodstock Capital, which was deducted from the accounts for the Real Estate Fund and the Charter School.

Violations

13. As a result of the conduct described above, Reiner 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 or sale of securities and in connection with the purchase or sale of securities.

14. As a result of the conduct described above, Reiner willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder, which prohibit any investment adviser to a pooled investment vehicle from making any untrue statement of material fact or omitting to state a material fact necessary to make the statement made, in light of the circumstances under which they were made, not misleading to any investor or prospective investor in the pooled investment vehicle, or otherwise engaging in any act, practice, or course of business that is fraudulent,

deceptive, or manipulative with respect to any investor or prospective investor in the pooled investment vehicle.

Disgorgement and Civil Penalties

15. The disgorgement and prejudgment interest ordered in paragraph IV.D is consistent with equitable principles and does not exceed Respondent's net profits from his violations, and will be distributed to harmed investors to the extent feasible. The Commission will hold funds paid pursuant to paragraph IV.D in an account at the United States Treasury pending distribution. Upon approval of the distribution final accounting by the Commission, any amounts remaining that are infeasible to return to investors, and any amounts returned to the Commission in the future that are infeasible to return to investors, may be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent's Offer.

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

A. Respondent Reiner 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 Section 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder.

B. Respondent Reiner be, and hereby is:

barred from association with any investment adviser, broker, dealer, ,
municipal securities dealer, municipal advisor, transfer agent, or nationally
recognized statistical rating organization;

prohibited from serving or acting as an employee, officer, director, member
of an advisory board, investment adviser or depositor of, or principal
underwriter for, a registered investment company or affiliated person of such
investment adviser, depositor, or principal underwriter.

C. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, compliance with the Commission's order and payment of any or all of the following: (a) any disgorgement or civil penalties ordered by a Court against the Respondent in any action brought by the Commission; (b) any disgorgement amounts ordered against the Respondent for which the Commission waived payment; (c) any

arbitration award related to the conduct that served as the basis for the Commission order; (d) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (e) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. Respondent shall, within 10 days of the entry of this Order, pay disgorgement of \$24,995, prejudgment interest of \$2,610.54, and a civil monetary penalty in the amount of \$200,000 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600, and if timely payment of the civil monetary payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Reiner as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Sandeep Satwalekar, Division of Enforcement, Securities and Exchange Commission, 100 Pearl Street, Suite 20-100, New York, NY 10004-2616.

E. Regardless of whether the Commission in its discretion orders the creation of a Fair Fund for the penalties ordered in this proceeding, 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, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he 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 Securities and Exchange Commission. 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 Respondent 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.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary