

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 5594 / September 25, 2020**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 34028 / September 25, 2020**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-20070**

**In the Matter of**

**SABRA CAPITAL  
PARTNERS, LLC**

**and**

**ZVI RHINE,**

**Respondents.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS,  
PURSUANT TO SECTIONS 203(e), 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 Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against Sabra Capital Partners, LLC (“Sabra Capital”) and Sections 203(f) and 203(k) of the Advisers Act and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Zvi Rhine (collectively, “Respondents”).

**II.**

In anticipation of the institution of these proceedings, 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, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 203(e), 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 Respondents’ Offers, the Commission finds that:

#### Summary

1. These proceedings arise out of misrepresentations by unregistered investment adviser Sabra Capital and its managing member, Zvi Rhine, concerning the performance of a hedge fund (the “Fund”) advised by Sabra Capital. Rhine, through Sabra Capital, managed the Fund since its formation in 2012. From at least January 2018 through April 2019, Sabra Capital and Rhine concealed the Fund’s struggles by misrepresenting the Fund’s performance in updates sent to the Fund’s limited partners. In addition, Sabra Capital and Rhine provided a false audit report to one investor in the Fund that contained misrepresentations about the Fund’s performance in order to conceal their prior misstatements.

#### Respondents

2. **Sabra Capital Partners, LLC**, is an Illinois limited liability company that Rhine formed in July 2012, with its principal place of business in Chicago, Illinois. Sabra Capital is the investment adviser and general partner to the Fund. Sabra Capital is not registered with the Commission or any state securities regulator.

3. **Zvi Rhine**, age 40, is a resident of Deerfield, Illinois. Rhine has been the managing member of Sabra Capital since its formation in 2012. Since July 2015, Rhine has also held multiple roles at a publicly traded company, including serving as a member of the board of directors, Chief Financial Officer, and President.

#### Other Relevant Entities

4. **The Fund** is a hedge fund formed by Rhine as a Delaware limited partnership in 2012. The Fund is a pooled investment vehicle within the meaning of Advisers Act Rule 206(4)-8(b). Sabra Capital is the investment adviser to and general partner of the Fund. By October 2019, the Fund ceased investment activities and had redeemed nearly all investors’ interests in the Fund.

#### Fund Background

5. In July 2012, Rhine formed the Fund as an investment vehicle focused on achieving high risk-adjusted returns while limiting volatility and downside risk through portfolio construction and risk management. The Fund invested primarily in equities, options, and below investment grade debt. Limited partners agreed to pay Sabra Capital monthly management fees and quarterly performance allocations.

6. From October 2012 through July 2015, Sabra Capital and Rhine raised approximately \$7.67 million from 24 investors (including Rhine), who were limited partners in the

Fund. There have been no additional investments in the Fund since July 2015. The Fund had net assets of \$6.1 million as of the end of 2014. However, through a combination of investor redemptions and losses, by the end of 2017, net asset value declined to approximately \$1.2 million and only 12 investors remained. Net asset value further declined to approximately \$538,000 by the end of 2018, and most of the remaining twelve investors were Rhine's friends and family members.

7. As part of their regular communications with investors, Sabra Capital and Rhine emailed monthly performance reports that Rhine prepared to the Fund's limited partners. These monthly performance reports typically included the Fund's monthly, quarterly, year-to-date, and/or inception-to-date returns on a net and gross basis.

8. In addition, the third party administrator engaged by Sabra Capital and Rhine prepared quarterly performance statements that it distributed to the limited partners in the Fund.

### **The Fund Experienced Losses Beginning in 2014**

9. The Fund enjoyed strong performance from its inception in July 2012 through June 2014, earning a cumulative return of 95.44% during this period. However, the Fund sustained a 21.5% loss in the second half of 2014 and continued to struggle in subsequent years, posting annual losses in 2015 (-58.31%), 2016 (-3.36%), and 2017 (-0.08%).

10. In July 2016, Sabra Capital and Rhine instructed the Fund's third party administrator to stop sending quarterly account statements to the Fund's limited partners because Rhine thought it would draw more attention to the Fund's negative performance.

11. In October 2016, Rhine decided that the Fund would forego obtaining audited financial statements for the year ending December 31, 2016, to reduce the Fund's expenses. Sabra Capital and Rhine did not have the Fund's financial statements audited for any subsequent periods. Sabra Capital and Rhine did continue its engagements with Accounting Firm, the CPA firm that had previously audited the Fund's financial statements and prepared its taxes, to prepare the Fund's tax returns.

### **Sabra Capital and Rhine Misreported Performance to Investors**

12. Beginning in at least January 2018 through April 2019, Sabra Capital and Rhine provided false information about the Fund's performance in the monthly performance reports they emailed to the Fund's limited partners.

13. In 2018, the Fund suffered substantial losses. Sabra Capital and Rhine concealed these losses from investors by including modest gains in most of the monthly performance reports they sent to investors instead of reporting that the Fund actually suffered large losses in most months. The Fund finished the year with a -54.88% annual return, but Sabra Capital and Rhine reported a 4.68% return.

14. In 2019, the Fund rebounded, gaining 33.07% in January alone. Rather than report large gains to investors, Sabra Capital and Rhine reported modest positive performance in the

monthly performance reports to shrink the gap between actual and reported cumulative returns they created by overstating performance in 2018. From January 2019 to April 2019, the Fund gained 42.34%, but Sabra Capital and Rhine reported a return of 4.03% to investors in the monthly performance reports.

15. In the aggregate, from January 2018 through April 2019, the Fund had a net loss of 35.78%, but the monthly performance reports reflected a total return of 8.90% during that period. The Fund did not pay Sabra Capital or Rhine the management fees accrued during this period.

### **Sabra Capital and Rhine Made Additional Misrepresentations to Investor A**

16. Sabra Capital and Rhine also provided false monthly capital balance information to an investor (“Investor A”) that periodically requested this information throughout 2018 and early 2019. During this period, the capital balance Rhine provided significantly overstated the value of Investor A’s capital balance each month by at least 20% and as much as 58.4%.

17. In May 2018, Investor A’s third party administrator requested the Fund’s audited financial statements for 2017. Rhine told Investor A’s third party administrator that the Fund did not have its financial statements for 2017 audited to save money, but that Sabra Capital and Rhine planned to obtain an audit of the Fund for 2017 and 2018 in the following year.

18. The following year, in May 2019, Investor A, Investor A’s third party administrator, and Accounting Firm, which was Investor A’s auditor, requested the Fund’s audited financial statements for 2018. On May 29, 2019, Sabra Capital and Rhine provided what they purported were the Fund’s audited financial statements for the year ended December 31, 2018, which included a falsified audit report that was supposedly prepared by Accounting Firm. But Sabra Capital and Rhine did not engage Accounting Firm to audit the Fund’s financial statements. Instead, Rhine prepared the audit report and the financial statements himself. The falsified audited financial statements overstated performance and misrepresented other information in the Fund’s financial statements to conceal the earlier misrepresentations in the monthly performance reports that Rhine and Sabra Capital had provided to the limited partners.

19. Accounting Firm quickly deduced that the audited financial statements were fabricated.

20. On May 30, 2019, Accounting Firm confronted Sabra Capital and Rhine about the Fund’s falsified audited financial statements. Rhine falsely claimed that he himself did not prepare the falsified audited financial statements and that he inadvertently sent the falsified audited financial statements to Investor A. Rhine convinced Individual A, his subordinate at the public company for which he works and who had no involvement with the Fund, to tell Accounting Firm that Individual A had prepared the falsified audited financial statements for internal use only.

21. On June 4, 2019, Sabra Capital and Rhine informed Investor A that the Fund’s financial statements were not audited for the year ended December 31, 2018, and attempted to cover up their deception by stating that the falsified audited financial statements that Rhine provided in May 2019 were sent in error.

22. By July 2019, Sabra Capital and Rhine decided to discontinue the operation of the Fund. Between July 2019 and October 2019, Sabra Capital and Rhine redeemed limited partners from the Fund, either in cash or through distributions of the Fund's securities. Rhine contributed his own money to the Fund to make cash distributions to two investors, who he redeemed at amounts that were consistent with the false monthly performance reports and exceeded the actual value of their holdings in the Fund. Distributions to other investors were less than what they would have expected based on the false monthly performance reports, but were consistent with their actual holdings in the Fund.

### **Violations**

23. As a result of the conduct described above, Respondents willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-8 thereunder, which prohibit fraudulent conduct by an investment adviser to an investor or prospective investor in a pooled investment vehicle.

### **IV.**

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

Accordingly, pursuant to Sections 203(e), 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 Sabra Capital and Respondent Rhine cease and desist from committing or causing any violations and any future violations of Section 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder.

B. Respondent Rhine be, and hereby is:

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

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.

with the right to apply for reentry after five (5) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

C. Respondent Sabra Capital is censured.

D. Any reapplication for association by Respondent Rhine 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 Respondent Rhine in any action brought by the Commission; (b) any disgorgement amounts ordered against Respondent Rhine 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.

E. Respondent Rhine shall pay a civil penalty of \$80,000 to the Securities and Exchange Commission. Payment shall be made in the following installments: \$20,000 within 10 days of the date of this Order, \$20,000 within 120 days of the date of this Order, \$20,000 within 240 days of the date of this Order, and \$20,000 within 360 days of the date of this order. Payments shall be applied first to post order interest, which accrues pursuant to 31 U.S.C. 3717. Prior to making the final payment set forth herein, Respondent Rhine shall contact the staff of the Commission for the amount due. If Respondent Rhine fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

Payment must be made in one of the following ways:

- (1) Respondent Rhine may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent Rhine 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 Rhine 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 Rhine 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 Jeffrey Shank, Division of Enforcement, Securities and Exchange Commission, 175 W. Jackson Blvd., Ste. 1450, Chicago, Illinois 60604.

F. 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 Rhine 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 Rhine'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 Rhine 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 Rhine 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 Rhine, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent Rhine 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 Rhine 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