

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934  
Release No. 58865 / October 27, 2008

INVESTMENT ADVISERS ACT OF 1940  
Release No. 2805 / October 27, 2008

Administrative Proceeding  
File No. 3-13280

IN THE MATTER OF DON WARNER REINHARD

The United States Securities and Exchange Commission (Commission) announced the issuance of an Order Instituting Public Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940, and Notice of Hearing (Order) against Don Warner Reinhard, who was the sole owner and president of Magnolia Capital Advisors, Inc., an investment adviser registered with the Commission, from September 1999 through September 2003. The Order is based on the entry of a permanent injunction against Reinhard, permanently enjoining him from future violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”); Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; Sections 206(1), 206(2), and 207 of the Advisers Act; and against aiding and abetting violations of Section 204 and Rule 204-2(a)(7) thereunder.

The Division of Enforcement alleges that from at least January 2002 through August 2003, Reinhard, through Magnolia Capital Advisors, made false and misleading statements and omissions of material fact to investors in connection with the offer and sale of collateralized mortgage obligations (“CMOs”), including misrepresenting the safety of the highly leveraged CMOs he purchased for his clients’ accounts and the account of Magnolia Capital Partners, L.P., a hedge fund he controlled as its general partner. The Order also alleges Reinhard omitted to disclose to his clients and in filing with the Commission a lawsuit by the Florida Department of Insurance against him involving CMO investments and allegations of fraud.

The Order further alleges Reinhard provided clients with false quarterly account statements that materially inflated their account valuations from at least December 2002 through June 2003, and he engaged in a fraudulent “parking” scheme to artificially increase the equity in certain brokerage accounts and avoid margin calls during July and August 2003 as the market value of the CMO investments declined. Finally, the Order alleges, for a portion of the time in which Reinhard engaged in this conduct, he was a registered representative associated with broker-dealers registered with the Commission.

A hearing will be scheduled before an administrative law judge to determine whether the allegations contained in the Order are true, to provide the Respondent an opportunity to dispute these allegations, and to determine what, if any, remedial sanctions are appropriate and in the public interest. The Order requires the Administrative Law Judge to issue an initial decision no later than 210 days from the date of service of the Order.