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.