

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**  
**October 27, 2008**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-13280**

**In the Matter of**

**DON WARNER REINHARD,**

**Respondent.**

**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**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Don Warner Reinhard (“Reinhard”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**A.     RESPONDENT**

1.       From September 1999 through September 2003, Reinhard was the sole owner and president of Magnolia Capital Advisors, Inc., an investment adviser registered with the Commission during the same time period. For a portion of that time in which Reinhard engaged in the conduct underlying the complaint described below, Reinhard was also a registered representative associated with broker-dealers registered with the Commission. Reinhard, 47 years old, is a resident of Santa Rosa, Florida.

**B.     ENTRY OF THE INJUNCTION**

2.       On October 3, 2008, a judgment was entered against Reinhard, permanently enjoining him from future violations of Sections 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, in the civil action entitled Securities and Exchange Commission v. Don Warner

Reinhard, Civil Action Number 4:07-CV-529-RH/WCS, in the United States District Court for the Northern District of Florida.

3. The Commission's complaint alleged 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 complaint also alleged 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. In addition, the complaint alleged 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.

### III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Reinhard an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Reinhard pursuant to Section 15(b) of the Exchange Act; and

C. What, if any, remedial action is appropriate in the public interest against Reinhard pursuant to Section 203(f) of the Advisers Act.

### IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Reinhard shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Reinhard fails to file the directed answer, or fails to appear at a hearing after being duly notified, he may be deemed in default and the proceedings may be determined against him upon

consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Reinhard personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Florence E. Harmon  
Acting Secretary