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Dear Investor in Pinnacle Development Partners:

While a substantial amount of work remains to be done, we are now in a position to provide you with additional information that might be useful to you as you deal with income tax issues related to your Pinnacle investment. On November 16, 2006, we provided a "Tax Memorandum for Investors" and posted on the Receiver's web site. While the purpose of this letter and the prior memorandum is to provide you with *factual information* that might be relevant to your tax situation, it is not tax advice. ***You should consult with a qualified tax adviser regarding your specific circumstance.***

First, and quite importantly, we have determined that the 2005 K-1's and Form 1099's issued by Pinnacle are not correct. Therefore, if you received a 2005 K-1 or Form 1099 you should disregard it. Our understanding is that the Internal Revenue Service was not provided with copies of any K-1. For certain investors, amended Form 1099's for 2005 will be issued.

Second, there will be a distribution to investors and other creditors. We are currently unable to determine how much will ultimately be distributed, but we can provide you with the following information:

1. Our current plan is to make an interim distribution using a significant portion of the cash on hand and then a final distribution when the real property assets have been liquidated. We have 21 real estate parcels and it may take some time to sell all the properties. Accordingly, after the initial distribution, we may make additional interim distributions when significant funds are available.
2. Before any distribution can be made, we must review all claims and determine the amount owed to each investor. In this regard, we expect to calculate each investor's loss (or gain) on a "cash in – cash out" basis. For example, if you invested \$10,000 in cash and received no payment from Pinnacle, your loss would be \$10,000. The amount of the loss will not be affected by any

returns” or re-investment of principal. By way of comparison, if you invested \$10,000 and received a \$2,500 interest check from Pinnacle, your loss would be \$7,500.

3. Subject to court approval, we expect to treat all investors as creditors of Pinnacle and not creditors of the partnership named in the agreement. For a variety of reasons, the status of the specific partnership entities should have no impact on how distributions are made or to whom they are made. We will be filing a detailed plan with the court to obtain court approval and the when filed the document will be posted on the Receiver’s web site.
4. No interim distribution can be made until the claims have been reviewed and a distribution plan has been approved by the court. This is a high priority, but will, at a minimum, take several months to complete. Please note several hundred investors have not filed claims and we have asked the court to allow these investors to continue filing claims during our claims review process. We do not anticipate this will slow down the claims administration and distribution process.

It is important that you understand that unless the total amounts you actually received from Pinnacle exceed the amount of cash actually invested by you, we will treat any and all payments made by Pinnacle (including referral fees) as a return of principal. If, however, you actually received more than you invested (calculated on a “cash in – cash out” basis as described above), the excess amount will be treated as income to you and a 1099 will be issued for 2005 and/or 2006 as appropriate. In this regard, you should understand that under the circumstances of this case, equity requires that any excess amounts be returned to the Receiver Estate. When our claims analysis is complete, we expect to request that all “winners” return any excess funds over amount invested. If you are in this category and your tax adviser deems it prudent to do so, you may return the excess amounts now.

Next week we plan to file the Receiver’s Second Interim Report which had detailed information on the real estate. In the coming weeks and months, we will be filing additional reports and important administrative motions with the court. We will continue to post this information on the Pinnacle page of our website – www.haysconsulting.net. I encourage you to continue to look to that site as your primary information source.

Thank you for your patience and cooperation.

Sincerely,

/s

S. Gregory Hays, Receiver