

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

<p>SECURITIES AND EXCHANGE COMMISSION,</p> <p style="text-align:center">Plaintiff,</p> <p>v.</p> <p>PINNACLE DEVELOPMENT PARTNERS LLC and GENE A. O'NEAL,</p> <p style="text-align:center">Defendants.</p>	<p style="text-align:center">CIVIL ACTION NO.</p> <p style="text-align:center">06 CV 2431-JTC</p>
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**RECEIVER'S PLAN FOR CLAIMS ADMINISTRATION AND
DISTRIBUTION OF PROCEEDS**

S. Gregory Hays, Receiver, files this Plan for Claims Administration and Distribution of Proceeds (the "Plan"), which describes how claims for payment from the Receiver Estate will be administered. Upon approval by the Court, the Receiver will review and resolve claims for payment and distribute proceeds in accordance with the following Plan:

Section 1 – Definitions

Administrative Claims and Expenses. Professional fees and expenses and the other types of ongoing uses of money provided for in the Receivership Order, as more fully described in Section 4.2 of the Plan.

Approved Claim. A Claim or any portion thereof, the payment of which pursuant to the terms of this Plan has been approved by Order of this Court.

Bar Date. March 1, 2007, as established by the Claims Order. The Bar Date is the date by which all Claims must be filed with the Receiver. The Bar Date shall serve as the date after which any Investor, Creditor, party in interest or other potential Claimant shall be estopped forever from asserting claims against the Receiver Estate.

Claim. Any claim for payment from the Receiver Estate made in accordance with the Claims Order and this Plan – *i.e.*, made in writing on the appropriate Claim Form and filed with the Receiver on or before March 1, 2007.

Claim Determination. The Receiver’s proposed treatment of a Claim – *i.e.*, the Claim class and the amount allowed, disallowed or subordinated.

Claim Determination Notice. The document sent to a Claimant that sets forth the Receiver’s Claim Determination for the specified Claim.

Claimant. An Investor or Creditor who asserts a Claim in this proceeding.

Claim Form. Collective definition for Investor Claim Form and Non-Investor Claim Form.

Claims Order. The Order entered by the Court in this action on January 22, 2007, which, among other things, sets the Bar Date and approves the Investor Claim Form and Non-Investor Claim Form.

Claims Procedure. The procedure authorized by the Court pursuant to the Order approving Receiver’s Plan for Claims Administration and Distribution of Proceeds.

Court. The United States District Court for the Northern District of Georgia, Atlanta Division, Judge Jack T. Camp presiding.

Creditor. Any person or entity other than (1) an Investor; or (2) a person or entity covered by Section 4 of this Plan, which provided money, goods and/or services to Pinnacle prior to October 11, 2006, and asserts a claim for payment against the Receiver Estate. The term Creditor shall include lessors of real and personal property.

Disapproved Claim. A Claim, or any portion thereof, that is not approved for payment by Order of the Court.

Disputed Claim. Any Claim for which the Claimant files a disagreement to the Claim Determination made by the Receiver. A Disputed Claim must be made via the Disputed Claim Form and within the applicable time limit established in the Claim Determination and Disputed Claim Form.

Disputed Claim Form. The form that will be mailed to each Claimant along with the Claim Determination Notice, on which Claimant's must provide the basis of any disagreement with the Receiver's Claim Determination.

Distribution. Payment by the Receiver from the Receiver Estate on an Approved Claim in accordance with the Claims Procedures outlined in this Plan.

Investor. Person who purchased one or more interests in Pinnacle Partnerships, invested in Pinnacle by means a short-form agreement, received a promissory note from Pinnacle in exchange for an investment, or otherwise invested money with Pinnacle, regardless of the form of the investment. The term Investor shall include individuals or entities who invested by and through Individual Retirement Accounts.

Investor Claim Form. The Investor Claim Form approved by the Court in the Claims Order as the appropriate form to be used by Investors to assert Claims.

Non-Investor Claim Form. The Non-Investor Claim Form approved by the Court in the Claims Order as the appropriate form to be used by Creditors to assert Claims.

Pinnacle. Pinnacle Development Partners, LLC, and the Pinnacle Partnerships.

Pinnacle Partnerships. Investment opportunities offered by Pinnacle, which were structured as partnership interests in general partnerships that were purportedly formed to invest in real property.

Plan. This Plan for Claims Administration and Distribution of Proceeds

Receiver Estate. Pinnacle and all of its assets, including causes of action and all assets of the Pinnacle Partnerships and other entities controlled by Pinnacle and all assets and funds recovered by the Receiver.

Receivership Order. Order Granting Preliminary Injunction, Freezing Assets, Appointing a Receiver and Ordering Other Ancillary Relief, entered by the Court in this action on October 11, 2006.

Secured Claim. A Claim by a Creditor secured by a valid security interest in or a lien on property in which the Receivership Estate has an interest.

SEC. The Securities and Exchange Commission.

Subordinated Claim. Approved Claim that, for some reason, is subordinated to other Approved Claims with respect to the timing or amount of payment.

Unsecured Creditor. A Creditor whose Claim is not a Secured Claim.

Section 2 – Claims Administration

Section 2.1 – Notice. In October 2006, the Receiver established an initial claims bar date of December 31, 2006, and mailed a copy of the Investor Claim Form and cover letter to all known Investors and a copy of the Non-Investor Claim Form to all known Creditors. The Receiver also posted these documents on his website (www.haysconsulting.net). In the Claims Order, the Court approved the Investor Claim Form and the Non-Investor Claim Form. The Receiver subsequently sent a second notice, described in Section 2.3.1, to all known Investors and Creditors who had not filed a Claim as of December 31, 2006.

Section 2.2 – Eligibility to File Claim. An Investor Claim Form may be submitted in this proceeding by any Investor or legal successor in interest thereto. A Non-Investor Claim Form may be submitted by any Creditor or legal successor in interest thereto.

Section 2.3 – Claims Bar Date; Filing of Claims

Section 2.3.1 – Claims Bar Date. The Claims Order sets a Bar Date of March 1, 2007. The Claims Order provides that “[a]ny investor or creditor who fails to file a claim by March 1, 2007 may be barred from asserting a claim and may not be entitled to share in any returns or distributions made by the Receiver in this case.” Pursuant to the Claims Order, the Receiver has sent notice of the Bar date to all known Investors and Creditors who had not filed a claim as of December 31, 2006.

Section 2.3.2 – Filing Requirement. All Claims must be filed with the Receiver and should not be filed with the Court. Except as otherwise ordered by the Court, on or before the Bar Date, each Claimant must file with the Receiver a properly completed Claim Form, addressed as follows:

Hays Financial Consulting, LLC
Atlanta Financial Center
3343 Peachtree Road, Suite 200
Atlanta, Georgia 30326-1420

Any Claimant who does not file a properly completed and documented Claim before the Bar Date may be forever barred from asserting a claim against the Receiver Estate. Any purported filing of a Claim that does not conform to the provisions of this Plan, or reasonably comply with the instructions included in the applicable Claim Form, may be rejected by the Receiver and shall be treated as if no Claim had been timely filed. The burden shall be upon each Claimant to ensure that its Claim has been properly received by the Receiver and that all requested information has been provided. The Receiver may consider a Claim that is late-filed or otherwise not in compliance with the requirements of the applicable Claim Form and this Plan if there are circumstances that, in the sole and absolute discretion of the Receiver, justify consideration and allowance of all or a portion of such Claim. The Receiver's decisions in this regard shall be reversed only upon a showing by the affected Claimant of manifest abuse of discretion by the Receiver.

Section 2.4 – Claim Determination. The Receiver will review each properly submitted Claim to determine the validity, amount and proper classification of the Claim. In making this determination, the Receiver may rely on information submitted by the Claimant, as well as other information available to him (*e.g.*, Pinnacle's books and records). Each Claimant must establish the validity, amount and proper classification of the Claim, including that the Claimant is an Investor or Creditor, or legal successor in interest thereto. The Receiver shall have the right to request, and the Claimant shall have the obligation to provide to the Receiver, any additional information and/or documentation deemed relevant by the Receiver. The Receiver, in his sole discretion, may require any Claimant to provide additional information prior to allowing or disallowing a Claim, and/or determining the proper classification of a Claim. The Receiver will make a determination as to the classification of the Claim and as to whether to allow or

disallow all or part of the Claim. The Receiver may also determine that any or all of an otherwise allowed Claim should be treated as a Subordinated Claim.

As more fully explained below, all claims, including Investor Claims, will be treated as Claims against all assets of the Receiver Estate, regardless of the specific Pinnacle Partnership interest(s) held or purportedly held by each Investor. Similarly, Distributions will be made from and based upon the cumulative value of all cash and other assets included in the Receiver Estate. The Receiver will not classify claims based upon the specific Pinnacle Partnership(s) in which an Investor purchased an interest.

2.4.1 – Investor Claims. Each Investor Claim will be determined based on the actual net loss of the investor. The net loss will be calculated on a “cash in – cash out basis” – *i.e.*, the principal amount of cash invested, less any returns, commissions, referral fees, and any other payments received by the Investor. The net loss will not include any earnings, profits, commissions or any other payments that were allegedly earned by an Investor but not collected. The Receiver may also reduce the Claim by any set-off against the Claim. If, after all adjustments, the Receiver determines that the Investor has suffered a net loss, the amount of the allowed Claim will be equal to the net loss. If, after all adjustments, the Receiver determines that the Investor has not suffered a net loss, or if the Investor has not provided sufficient information to determine whether there exists a net loss or the amount of the net loss, the Receiver may determine that all or part of the Claim should be denied. Moreover, the Receiver may determine that some or all of an otherwise allowed Claim should be treated as a Subordinated Claim.

2.4.2 – Creditor Claims. Each Creditor Claim will be determined based upon the nature of the debt owed by the Receiver Estate (*e.g.*, secured vs. unsecured), the legal basis for the claim, and any other facts and circumstances that the Receiver deems relevant to the analysis of the Claim. The Receiver may reduce a Claim by any set-off against the Claim. If, after all adjustments, the Receiver determines that there is an outstanding amount owed to the Creditor, the allowed Claim will be equal to this amount. If, after all adjustments, the Receiver determines that there is no outstanding amount owed to the Creditor, or that the Creditor has not provided sufficient information to determine whether there exists an outstanding amount owed or the amount owed, the Receiver may determine that all or part of the Claim should be denied. Moreover, the Receiver may determine

that some or all of an otherwise allowed Claim should be treated as a Subordinated Claim.

Section 2.5 – Notice of Claim Determination. The Receiver will, as soon as practicable after the Bar Date, review each Claim submitted. When Claims have been analyzed, classified and quantified, the Receiver will provide each Claimant with a Claim Determination Notice informing such Claimant of the Receiver’s Claim Determination of the Claimant’s Claim. At the same time, the Receiver will also send a Disputed Claim Form to each Claimant, which will provide the Claimant an opportunity to dispute the Receiver’s Claim Determination. The Disputed Claim Form will also be available on the Receiver’s website. The Claim Determination Notice and Disputed Claim Form will be delivered to each Claimant via U.S. Mail and shall be deemed delivered three business days after mailing. It is the responsibility of each Claimant to provide the Receiver with notice of any change of address. The Receiver shall have no obligation to locate Claimants.

Section 2.6 – Disputed Claims.

Section 2.6.1 – Filing of Disputed Claims. All Disputed Claims must be filed with the Receiver at the address provided in Section 2.3.2 and should not be filed with the Court. Any Claimant that disagrees with the Receiver’s Claim Determination for that Claimant must file a properly documented Disputed Claim, via the Disputed Claim Form, with the Receiver within 20 days of receipt of the Receiver’s Claim Determination. A Disputed Claim must provide all supporting statements and documentation that the Claimant wishes the Receiver and/or the Court to consider. A failure to properly and timely file a Disputed Claim shall permanently waive the Claimant’s right to object to or contest the Receiver’s Claim Determination, except that the Receiver may consider a late-filed Disputed Claim or Disputed Claim that is otherwise not in compliance with the requirements of the Disputed Claim Form and this Plan if there are circumstances that, in the sole and absolute discretion of the Receiver, justify consideration of such Disputed Claim. The Receiver’s decisions in this regard shall be reversed only upon a showing by the affected Claimant of manifest abuse of discretion by the Receiver.

By filing a Disputed Claim, a Claimant is deemed to have submitted to the personal jurisdiction of this Court, and the summary procedures in place for resolution by this Court of Objections. Any Claimant who has filed a Disputed Claim shall be entitled to notice only with respect to the adjudication of

the particular Claimant's Disputed Claim, and shall not necessarily be entitled to notice of any other proceedings related to this action.

Section 2.6.2 – Voluntary Resolution of Disputed Claims. The Receiver may, in his sole discretion, make adjustments, settle and compromise any Disputed Claim on terms and for reasons that he deems appropriate.

Section 2.6.3 – Resolution of Disputed Claims by Court. Any Disputed Claim that cannot be resolved by agreement will be adjudicated by the Court in summary proceedings conducted in accordance with this Section. Accordingly, the Federal Rules of Civil Procedure shall not apply to such proceedings and Claimants shall not have a right to a trial by jury; however, each Claimant with a Disputed Claim that requires determination by the Court shall be entitled to due process. Generally:

- (1) The Court may rule without hearing on each Disputed Claim that does not involve issues of fact. For such a Disputed Claim, the Court may consider the legal positions of the Receiver and the Claimant, as applied to the undisputed facts, and make a determination as to the proper treatment of the Disputed Claim.
- (2) For each Disputed Claim that involves issues of fact, the Court shall conduct a hearing at which time evidence relevant to the Disputed Claim shall be considered. Where possible, such evidence shall be submitted by declaration of affidavit. The Receiver shall obtain a hearing date from the Court and provide notice of such hearing to the affected Claimant(s). The Claimant shall have the burden of proof in a hearing on a Disputed Claim.

The Court's decision regarding each Disputed Claim shall be final.

Section 2.7 – Final Determination. Within 30 days after the final determination of all Disputed Claims, either by agreement or by a decision of the Court, the Receiver will file for entry by the Court a definitive schedule of all Approved Claims, Subordinated Claims and Disapproved Claims. At that time, the Receiver will make a recommendation to the Court, consistent with Section 3 of this Plan, as to the manner and the timing of distributions of funds from the Receiver Estate to Investors and Creditors.

Notwithstanding the preceding paragraph, if, at any time prior to the final determination of all Disputed claims, the Receiver deems it appropriate to make an interim distribution, the Receiver may file for entry by the Court a schedule of already determined Approved Claims, Subordinated Claims and Disapproved Claims, and make a recommendation to the Court regarding such interim distribution pending the final determination of remaining Disputed claims. The Receiver shall reserve funds sufficient to make appropriate distributions on Disputed Claims that are later categorized as Approved Claims.

Section 3 – Distribution

Section 3.1 – Aggregation of Assets. All assets of the Receiver Estate will be aggregated into a single pool for purposes of the interim and final distributions made pursuant to this Plan. This single pool of assets will include all assets currently in the possession, custody or control of the Receiver Estate and all assets that come into the possession, custody or control of the Receiver Estate – whether by agreement, Court order or any other means – at any time during the pendency of this receivership. In making distributions from the Receiver Estate, the Receiver may use any assets or property then within the possession, custody or control of the Receiver Estate. **All claims, including Investor Claims, will be treated as Claims against all of assets of the Receiver Estate, regardless of the specific Pinnacle Partnership interest(s) held or purportedly held by each Investor. Similarly, distributions will be made from and based upon the cumulative value of all cash and other assets included in the Receiver Estate. The Receiver will not classify claims based upon the specific Pinnacle Partnership(s) in which an Investor purchased an interest.**

Section 3.2 – Priority and Treatment of Claims. As addressed in Section 4.1, the Receiver will, to the extent required by law, prioritize claims for tax liability over the Claims addressed in this Plan. As indicated in Section 4.2, the Receiver has used and will continue to use assets of the Receiver Estate to pay Administrative and Professional Claims and Expenses in accordance with the provisions of the Receivership Order. These claims shall have priority in payment over any other claims. Subject to the qualifications contained in Section 4, Claims will be prioritized according to the following classes:

Class 1 – Secured Claims. Approved Secured Claims shall have priority over Claims of Investors and Unsecured Creditors. To the extent that the

collateral for a Secured Claim is sufficient to cover the debt owed, such claim shall be paid prior to Claims of Investors and Unsecured Creditors. The Receivership Order authorizes the Receiver to negotiate with creditors and to “compromis[e] or settl[e] any claim, including the surrender of assets to secured creditors.” (Receivership Order, §VII (f).) The Receiver has engaged in and may continue to engage in such activity on behalf of the Receiver Estate to settle and compromise claims of secured creditors. As a result, the Receiver currently is aware of only one Creditor with a potential Secured Claim.

Class 2 – Claims of Investors and Unsecured Creditors. Approved Claims of Investors and Unsecured Creditors shall generally receive equal prioritization under the Plan. The Receiver does not expect 100% payment on Claims of Investors and Unsecured Creditors. In accordance with the schedule of all Approved Claims, Disapproved Claims and Subordinated Claims entered by the Court, such Claimants will receive payment of a share of their Approved Claim by means of interim and final distributions. At the recommendation of the Receiver and upon approval of the Court, Class 2 Claims may be separated into one or more subclasses.

Class 3 – Subordinated Claims. Claimants holding Subordinated Claims shall not receive or retain any distribution until such a time that all other Claimants have received the full amount of their Approved Claims.

Section 3.3 – Interim Distributions. The Receiver may make interim distributions from the Receiver Estate to pay Approved Claims in such amounts and at such intervals as the Receiver, in his sole and absolute discretion, determines to be prudent. No distribution shall be made except after 10 days notice to the SEC, with opportunity for the SEC to object to the Court regarding such distribution.

Section 3.4 – Reserve Pending Final Distribution. The Receiver has made reasonable efforts to notify any and all potential Claimants pursuant to this Plan. The Court expressly authorizes the Receiver to pay Approved Claims according to the terms set forth herein without regard for the possibility that Claims may, with good cause, be presented late. The Receiver and, as necessary, the Court will consider any such Claims on a case-by-case basis, but the Receiver will not be expected to have retained assets of the Receiver Estate to account for this possibility. Notwithstanding the foregoing, the Receiver may, at his sole

discretion, reserve funds for the payment of such late Claims. To the extent that the Receiver does reserve funds, the Receiver shall so notify the Court and the SEC, and shall periodically report to the Court and the SEC.

Section 3.5 – Final Distribution. At the conclusion of this receivership, and subject to providing for payment of any then unpaid or contingent Administrative Claims and Expenses, the Receiver shall make a final distribution from all remaining assets of the Receiver Estate. Prior to making such final distribution, the Receiver shall file with the Court a Final Report setting forth the conclusion of all activities in this receivership and indicating the Receiver's intent to make a final distribution.

Section 3.6 – Method of Payment. Any payment made by the Receiver on an Approved Claim shall be made from the Receiver Estate in the form of a check made payable to the Claimant using the information listed by the Claimant in the Claim.

Section 3.7 – Unclaimed Funds. Any check issued as part of an interim distribution or the final distribution in this receivership that has not been cashed within 120 days of the date of the check shall be deemed void and the Claim pursuant to which such check was issued shall be automatically recategorized as Disapproved. Further, the intended recipient Claimant of such uncashed check shall have no right or claim of any kind against the Receiver or the Receiver Estate, including any claim for the amount of the intended distribution or any future distribution. The funds associated with such uncashed checks, after reduction for the cost of administration of the funds, shall be used as provided for in Sections 3.7.1 and 3.7.2.

Section 3.7.1 – Unclaimed Funds from Interim Distributions. The funds associated with any uncashed check issued pursuant to an interim distribution shall be returned to the Receiver Estate for use and distribution consistent with the Receivership Order and this Plan.

Section 3.7.2 – Unclaimed Funds from Final Distribution. The funds associated with any uncashed check issued pursuant to the final distribution shall be donated to a recognized charitable organization of the Receiver's choosing.

Section 3.8 – Payment Effects Release/ Limitation of Liability of Receiver related to Payment of Claims. If any payment on a Claim is made by the Receiver, then any and all claims, demands, rights and causes of action of any nature whatsoever, whether arising in law or in equity, known or unknown, asserted or unasserted, for all damages (whether actual or punitive, known or unknown, latent or patent, foreseen or unforeseen, direct or indirect or consequential, matured or unmatured, and accrued or not yet accrued) debts, and liabilities of whatever nature that are or could have been asserted by the Claimant or any other person against the Receiver or his agents, the SEC or any Defendant in receivership, or the Receiver Estate, are hereby discharged, released, extinguished and satisfied. By effecting the notice of Claim Determination according to the terms of this Plan, the Receiver shall be deemed to have provided reasonable and sufficient notice to all persons and entities, and neither the Receiver nor any person or entity accepting payment, property or other assets from the Receiver Estate shall have any liability to any person or entity other than the Receiver to return any assets used for payment or satisfaction of a Claim, nor to compensate any Person in any respect for having paid or otherwise satisfied a Claim, nor for any other action taken in good faith under or relating to this Plan or arising out of the processing of any Claim, including, but not limited to, any act or omission in connection with or arising out of the administration of Claims or the assets of Receiver Estate to be distributed hereunder. In the event of any claim being made against the Receiver for such matters, whether or not willful misconduct is alleged, the Receiver shall be entitled to a defense by counsel of his choice, payable as any other Administrative Claims and Expenses herein, and the provisions of the Receivership Order shall otherwise apply.

Section 4 – Other Claims and Expenses

Section 4.1 – Tax Liability. This Plan does not address and does not in any way limit the Receiver’s tax obligations with respect to the Receiver Estate. The Receiver has and will continue to calculate and pay the tax liability of the Receiver Estate to the extent required by law. If necessary, the Receiver will prioritize tax liability over some or all of the classes of Claims addressed in this Plan.

Section 4.2 – Administrative Claims and Expenses.

Section 4.2.1 – Preservation of Receiver Estate. The Receivership Order provides that the Receiver may administer the assets of the Receiver Estate

and, among other things, “make such ordinary and necessary payments, distributions and disbursements as he deems advisable or proper for the marshaling, maintenance or preservation of the Receiver Estate.” (Receivership Order, § VII (d).) The Receiver has made and will continue to make payments from the Receiver Estate in accordance with this authority.

Section 4.2.2 – Professional Fees and Expenses. The Receivership Order provides for the payment of professional fees and expenses incurred in the administration of the Receiver Estate upon approval by this Court. The Receiver has submitted and will continue to submit applications for the approval of payment of such fees and expenses. Upon entry of Orders approving such applications, the Receiver will pay the approved fees and expenses from the assets of the Receiver Estate. (Receivership Order, §17.)

Section 4.3 – Miscellaneous. Neither the filing of this Plan nor its approval by the Court should in any way be deemed to modify, amend or otherwise limit the Receiver’s ability and authority to continue to use assets of the Receiver Estate in accordance with the Receivership Order.

APPROVED, this ____ day of _____, 2007.

Jack T. Camp, Judge
United States District Court
Northern District of Georgia

Submitted by:

By: /s/ J. David Dantzler, Jr.

J. David Dantzler, Jr.

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