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Guilty plea made in Pinnacle case

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Advertising works well to draw in investors, especially when a company offers 25 percent returns over 60 days.

The ads — in publications like Newsweek, BusinessWeek and The Atlanta Journal-Constitution — kick-started an investment craze to the tune of \$62 million in 15 months.

But the company behind the ads, Pinnacle Development Partners LLC, was a classic case of the adage "if it's too good to be true, it probably is." Buckhead-based Pinnacle was a Ponzi scheme and the man behind it, Gene A. O'Neal, pleaded guilty Tuesday in federal court to two counts of mail and wire fraud.

O'Neal, 36, of Alpharetta, faces "a substantial" prison term when he is sentenced in September, said prosecutor Paul Monnin.

O'Neal primed the pump for investors by placing ads in "credible" publications and then making good on the first few rounds of investor payoffs, Monnin said. An estimated \$20 million was paid to investors, making them willing to reinvest in Pinnacle, often with larger amounts.

Investors thought they were helping fund a company that bought foreclosed properties, made cosmetic improvements and resold them for substantial profits.

The company did buy some \$10 million worth of property, but mostly to create an appearance of legitimacy. Pinnacle spent more than \$700,000 to furnish luxurious offices near Lenox Square and paid more than \$2.5 million in salary and commissions and \$3.5 million in general and administrative expenditures. O'Neal bought a \$72,000 Land Rover, a \$69,000 Cadillac Escalade and also drove a \$117,000 Maserati.

"It all gave the impression that 'This is a successful business,' " said Monnin, who prosecuted the case with assistant U.S. Attorney Justin Anand.

But as more investment money poured in, O'Neal had to "feed the beast," Monnin said, meaning Pinnacle's debt burden grew oppressive.

Fortunately, Monnin said, authorities were on to the scheme before it completely crashed. The Securities and Exchange Commission last fall sued the company and federal prosecutors started investigating, indicting O'Neal in March.

Pinnacle still had about \$13 million in cash plus property. That will be used to repay the 2,000 investors who lost money, authorities said.