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Real estate investing firm sued by SEC

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"Stocks still low? Invest now in Atlanta's real estate market."

The advertisement in Newsweek magazine, placed by the Buckhead real estate investment firm Pinnacle Development Partners, promised investors a 25 percent return within 60 days with a minimum investment of \$5,000.

The Securities and Exchange Commission maintains that the ad, a version of which appeared in up to 40 publications and on Pinnacle's Web site, was part of a scheme that fraudulently solicited at least \$30 million from more than 2,000 investors from 33 states and two foreign countries.

The SEC brought charges Wednesday in the U.S. District Court's North Georgia district, accusing Pinnacle and founder Gene O'Neal with selling fraudulently unregistered securities.

O'Neal is described in the suit as having orchestrated the offerings, designed the ads and other materials, and directed in-house sales representatives. The Alpharetta resident is identified as managing member and chief financial officer.

Attempts to reach O'Neal, 36, at his business and residence were unsuccessful. Pinnacle's office phone has been disconnected.

Last October, the suit claims, Pinnacle began selling notes to some investors who were told that foreclosed real estate was being purchased from banks. Based on the pitch, the property was then resold within 45 to 60 days following minor repairs and cosmetic improvements.

Instead, the property was purchased from third parties and then resold at higher prices to investor partnerships controlled by Pinnacle, according to the suit. It accuses the company of operating a Ponzi scheme, converting funds from later investors into returns for earlier investors.

In addition to the initial return of 25 percent within 60 days, some ads guaranteed a profit of an additional 25 percent and the return of capital after 90 days.

Sales material characterized the purchase of buying bank foreclosures as "99.99% risk-free," the suit contends, and that the investments were secured by a deed to real property.

But the properties were routinely transferred to the partnerships, then swapped among them, without the partners' awareness or approval, the suit says. Contact information was not provided to investors in an effort to prevent communication between them.

Pinnacle touted its real estate holdings as worth in excess of \$56 million, according to the suit, though Georgia

real estate records indicated 27 purchases for about \$13.2 million.

The suit cited a property at 1459 East Mercer Ave. in College Park, purchased in February by Pinnacle for \$500,000. The property was sold in March for \$600,000 to 1459 East Mercer Development Partners, then the same day to Village at East Mercer Development Partners for \$1.55 million. Both partnerships are operated by Pinnacle, the suit says.

Further, O'Neal was fined and sentenced to probation for forgery in 1998, which he did not disclose to investors, the suit maintains.

The suit contains three counts of fraud and one for unregistered offering of securities.

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