

**FREQUENTLY ASKED QUESTIONS**  
**FROM INVESTORS IN**  
**PINNACLE DEVELOPMENT PARTNERS, LLC.**

**What Is Going On?**

On October 11, 2006 the United States Securities and Exchange Commission (the “SEC”) filed a lawsuit in the United States District Court in Atlanta, Georgia against Pinnacle Development Partners, LLC (“Pinnacle”) and Gene A. O’Neal (collectively the “Defendants”).

The SEC’s Complaint asserts that Pinnacle’s sale of real estate partnership interests from 2005 through September 2006 was, in fact, the unlawful sale of unregistered securities. In addition, the SEC alleges that the information provided by Pinnacle to investors contained material misrepresentations and/or failed to include material information regarding the investment.

Prior to the SEC’s Complaint being filed, the Defendants consented to various types of equitable relief including an asset freeze and the appointment of a Receiver for Pinnacle and its assets, including all partnerships and other entities under its control. Accordingly, when the case was filed, the court appointed S. Gregory Hays (the “Receiver”) as the Receiver in this case. These assets are referred to as the “Receiver Estate.”

**What Is The Receiver’s Role?**

The Court’s order appointing the Receiver provides him with broad authority and responsibility for taking control of and administering the Receiver Estate. In a nutshell, he is responsible for taking control of the Receiver Estate, locating cash and other assets, taking steps necessary to protect the assets in the Receiver Estate and performing an investigation. If he determines it appropriate to do so, the Receiver is authorized to assert claims and file litigation to recover monies from third parties. As the case progresses, the Receiver will report his findings to the Court and will develop a Plan of Distribution to distribute the available funds to investors and other creditors.

**How Long Will This Take?**

It is difficult to predict how long the receivership aspects of this case will take to properly administer. Receiverships, generally, are seldom concluded in less than a year and often take quite a bit longer. Our hope is that this case can be concluded fairly quickly.

The deadline for investors and other creditors to submit claim forms is **December 31, 2006**. Given that there are over 2,000 investors, this will allow time for all investors to get their claim and supporting information prepared and submitted. We will compare the submitted claims to the information available in Pinnacle’s records and make a determination regarding the amount of an allowed claim. If an investor disputes this determination, the Court will likely establish a procedure for resolving the dispute.

In the interim, the Receiver will be analyzing and administering the assets with the goal of generating funds to be distributed to investors and other creditors.

### **Am I On The List Of Creditors?**

A list of all investors is being compiled from Pinnacle's records; however, the investor list is not available at this time. To assure that you are included as an investor, you should gather all documents related to your investment, including checks, distribution statements, letters etc. Using that information, complete the claim form posted on the Receiver's web site and submit it along with copies of the front and back of all cancelled checks. This information is critically important for a variety of reasons and will assist the Receiver in tracing the proceeds of the investments. **Please also make sure you keep us apprised of your address if you move or relocate in the future.**

### **What If I Do Not Have My Original Checks?**

Please request a copy of the check from your bank. If you are not able to do that, the Receiver and his team will try to verify your investment using the company's records.

### **What If I Invested Via A Cashier's Check?**

Please request a copy of the front and back of the cashier's check from your bank and mail it with your claim form.

### **Is My Friend Or Relative On The List Of Creditors?**

The Receiver can only answer questions regarding investments by the actual investor. Please have your friend / relative complete the claim form and mail to the Receiver. If for some reason, they are unable to do so, please forward a power of attorney or some other document that demonstrates that you are authorized to act on their behalf.

### **What Happened to The Money Paid to Pinnacle by Investors?**

Providing a complete and accurate answer to this question is one of the Receiver's top priorities. As of October 17, 2006, the Receiver has determined that:

- \$14.2 million remains and is frozen in Pinnacle's bank accounts;
- At least 21 properties, which are now under the Receiver's control, were purchased for over \$12 million and are owned by Pinnacle or the affiliated partnerships;
- Substantial amounts were paid back to investors in interest payments and return of capital.
- Substantial amounts were used for Pinnacle's operations, including payroll, leases and equipment.

The Receiver and his team of professionals are working to identify other uses of purchase proceeds and to quantify specific amounts.

### **What Will Happen To The Properties?**

The Receiver and his team are in the process of analyzing each of the properties in an effort to determine how they should be administered for the benefit of investors and other creditors. Some of the properties may be developed, some may be leased and some will likely be sold fairly quickly. The Receiver is making certain that insurance is now in place on all of the properties and that all insurance premiums have been brought current.

Some of the properties are single-family residences, others are undeveloped land and there are several multi-family units. Most, but not all, of the properties are now vacant. Some of the single-family properties have been refurbished. Pinnacle had retained an architectural firm to develop plans for some of the raw land and multi-family parcels.

It appears that all of the properties were “distressed” at the time of their purchase. The 21 properties currently known to the Receiver were purchased for a cumulative price of approximately \$12 million. It is currently unclear whether these properties will actually generate this amount (or a higher amount) as they are managed and sold during the course of the receivership.

### **How Do I Treat This Investment On My Tax Return?**

Because payments made to you by Pinnacle may be taxable to you, you may receive K-1's from the partnership(s) in which you have invested, or you may receive a Form 1099 for 2005 and/or 2006. However, you and your tax adviser should consider whether, in light of the SEC actions, the payments you received might instead be considered as a recovery of part of your investment. In addition, as of this date (October 17, 2006) you may have received one or more K-1's from these partnerships that may or may not be correct. As part of the Receiver's work in this case we will be reviewing all tax returns prepared and will file amended returns, K-1's, and 1099's as necessary. Since this case has just started we can not give you a timeline at this point as to when this review will be completed. The Receiver will focus on tax issues as soon as we get a firm understanding of the assets and liabilities of Pinnacle and the related partnership entities. The Receiver will provide a detailed tax memo in the very near future.

### **When Will I Get A Corrected K-1 Form For 2005 ?**

Pinnacle mailed K-1's to the majority of investors last week. We understand there are problems on some of these tax forms. While the K-1's were mailed to investors, these returns have not been reported to the IRS. The Receiver's tax team will review the K-1's and provide corrected returns. We will determine the appropriate actions that need to be taken by Pinnacle and the partnerships before any returns are filed with the IRS. Please check the Receiver's website for a tax memo that will be posted soon after the Receiver's First Interim Report is filed

### **Who Pays The Expenses of the Receivership?**

All expenses of the receivership are paid out of the assets of the Receiver Estate. Based on our experience, we know that cases like this one can be very expensive. Our goal is to spend time and money wisely. Therefore, in virtually all of our planning and recovery efforts, we take cost and potential financial benefit into account.

The Receiver, his lawyers and consultants are paid subject to Court approval. The fees are based upon the standard hourly rates of all professionals involved. In addition, there will be other operating expenses associated with the receivership. For example, lease payments must be paid so long as the receivership makes use of Pinnacle's offices and leased equipment. In addition, there will be costs associated with maintaining the properties so long as they remain assets of the Receiver Estate.

One way that investors can have a positive impact on the level of expense is to look to the Receiver's web site for information. (See below.) Answering telephone calls of individual investors takes a lot of time which results in expense to the receivership estate. Therefore, we request that you please read all documents on the Receiver's web site before calling the Receiver's office.

### **How Do I Get More Information And Monitor The Status Of The Case?**

The Receiver has established a website for this case, which you may access at [www.haysconsulting.net](http://www.haysconsulting.net). Follow the link to Pinnacle Development Partners, LLC by clicking on the logo. The link will direct you to a listing of available materials.

The Receiver will file periodic reports with the Court, which will provide comprehensive updates. When these documents are filed, they will be posted on the website. Initially, we have posted a copy of the SEC's Complaint, along with the orders appointing the Receiver and freezing the assets.

The Receiver is required by the Court Order to file his initial report by November 28, 2006. However, the Receiver is already in process of drafting his First Interim Report so that investors have accurate information. The difficult part of this report is developing accurate figures of assets and liabilities from the available information. The Receiver will release this report as soon as it is finalized.

### **How Do I Communicate With The Receiver?**

The best way to communicate with the Receiver with specific questions is by email. Please send your questions to [pdp.receiver@haysconsulting.net](mailto:pdp.receiver@haysconsulting.net)

As indicated above, there are approximately 2,000 investors, plus other creditors. In an effort to avoid unnecessary administrative costs, we request that you please refrain from calling the Receiver's office for routine updates. We will make every effort to keep the web site current.

You should also understand that given the nature of this proceeding, it may not be possible for the Receiver to disclose on a “real time” basis all of the information obtained during the investigation.

**How Will I Know If My Claim Form is Received by the Receiver?**

The Receiver’s office plans to mail a post card to all investors verifying that a claim form has been received.

**Do I Need To Hire An Attorney?**

Each investor needs to make this determination based upon his or her individual circumstance. It is important to remember that the Receiver is an officer of the Court, and part of his job is to try to manage assets and effect recoveries with the ultimate goal of making a distribution to investors and other creditors. Investors should feel free to employ an attorney; but, based on our experience in other cases like this one, it is unlikely that having an attorney would affect either the timing or amount of a distribution from the Receiver Estate.