

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

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, vs. PINNACLE DEVELOPMENT PARTNERS, LLC, and GENE A. O'NEAL Defendants.	CIVIL ACTION NO. 06 CV 2431
--	-----------------------------

RECEIVER'S SECOND INTERIM REPORT

S. Gregory Hays ("Receiver"), the court-appointed Receiver for Pinnacle Development Partners, LLC, files his Second Interim Report showing the Court as follows:

INTRODUCTION

1. The Receiver was appointed as Receiver for Pinnacle Development Partners, LLC ("Pinnacle" or "PDP") pursuant to the terms of an Order dated October 11, 2006 ("the Receivership Order").

2. In accordance with the Receivership Order, the Receiver filed his First Interim Report on October 30, 2006. At that time, the Receiver provided

information regarding the status of the Receiver Estate and certain activities of the Receiver Team.

3. Since filing the First Interim Report, the Receiver Team has continued to administer and manage the Receiver Estate and perform an investigation in accordance with the provisions of the Receivership Order. Various activities are in process and ongoing.

THE REAL PROPERTY ASSETS

4. As indicated in the First Interim Report, there are 21 parcels of real property included in the Receiver Estate.¹ The cumulative amount paid by Pinnacle for the purchase of these properties was \$13,213,400, which means that, collectively, the real property is one of the two most significant assets of the Receiver Estate. The other significant asset is cash. Currently, the Receiver has control over approximately \$14.2 million; however, no professional fees and related expenses have yet been paid.

5. Since filing the First Interim Report, much of the Receiver Team's efforts have been devoted to analyzing the legal and factual issues related to each parcel of real property and to beginning to develop plans for the ultimate disposition of these properties. The purpose of this Second Interim Report is to

¹ Three of the 21 parcels actually consist of two contiguous properties. They are: (a) 1484 and 1500, Columbia Drive, Austell, GA; (b) 406 E. Rhinehill Road and 2217 Browns Mill Road, Atlanta, GA; and, (c) 8 and 16 Clifton Way, Atlanta, GA.

provide additional information regarding the real property in the Receiver Estate. While much remains to be done in connection with the real estate “portfolio,” the Receiver Team has been able to develop a more thorough understanding of the circumstances regarding each parcel.

6. Attached to this Report is an “Appendix” that contains an information sheet for each of the 21 parcels in the Receiver Estate. Among other things, each information sheet contains:

- The location and the identity of the current owner of the property (as determined by a title search done for the Receiver);
- A history of the title transfers of the property since its acquisition by Pinnacle, which, in a number of instances, involves transfers to Pinnacle-related partnerships;
- The purchase price paid by Pinnacle at the time of original purchase;
- The indicated appraised value at the time of purchase (if an appraisal has been located);²
- A description of the condition of the property and any special circumstances related to its use (e.g., security); and,
- A description of any legal issues related to the property (e.g., title).

² As of the filing of this Report, an appraisal has not been found in Pinnacle’s records for every parcel.

7. Each property is classified into one of three categories: Undeveloped and To Be Developed Land; Single Family Dwellings; and, Multi-Family Dwellings. The classification was determined by the purpose for which Pinnacle purchased each parcel. It should be noted that while some of the parcels in the “Undeveloped and To Be Developed Land” category actually have single family dwellings located on the land, these parcels include additional acreage and were purchased by Pinnacle for the purported purpose of being subdivided and further developed.

8. The Receiver continues to analyze each property and develop a plan for realizing the highest value for each under the circumstances of this receivership. As indicated in the Appendix, the Receiver has received a proposal from an auctioneer regarding the auction sale of some or all of the properties. He presently intends to list the four single family residences for sale by a realtor. He has also received offers to purchase certain of the other properties.

9. In addition, because of certain exigencies related to “grandfathered” zoning classification, the Receiver has improved the East Mercer property and begun to rent the units in the building.

10. The Receiver has retained the appraisal firm of Pritchett, Ball & Wise, Inc. (“PBW”) to appraise all of the parcels except the four single family residences. PBW is a highly qualified, well respected appraisal firm located in Atlanta. Once

this work is completed, the Receiver Team expects to develop a “Property Disposition Plan,” which will be submitted to the court for approval.

11. To the extent that the Receiver accepts an offer to purchase regarding any of the properties prior to the approval of the Property Disposition Plan, he will seek court approval of the individual sale.

12. Given the number of properties and the nature of the issues associated with some of them, it is difficult to predict how long it will take the Receiver to dispose of all of the properties.

BRIEF OVERVIEW OF OTHER ACTIVITIES

13. Analysis of Claims and Distribution(s). Pursuant to a request made by the Receiver, the Court has established March 1, 2007, as the date by which claims of investors and other creditors must be submitted to the Receiver in order to be considered as a part of the distribution process.³ Prior to that date, the Receiver will submit a proposed process for claims administration and distribution for approval by the Court. The Receiver intends to make an interim distribution of a substantial portion of the cash on hand as soon as the process has been approved and claims have been analyzed and approved for payment. As of the filing of this report, it is not possible to predict how long this process will take or when an interim distribution will be made.

³ Copies of the Investor Claim Form and the Non-Investor Claim Form are available on the Receiver’s website, www.haysconsulting.net.

14. Accounting/Funds Tracing. The Receiver Team continues its efforts to account for the receipt, disposition and use of the monies paid to Pinnacle by investors. This is a complicated process and made more difficult because Pinnacle's accounting records were incomplete.

15. The Receiver Team continues to perform the other administrative and investigative activities described in the First Interim Report, which include, but are not necessarily limited to:

- Selling vehicles, furniture and equipment
- Investigating claims against third-parties
- Resolving, to the extent possible, issues related to leased premises and equipment

As circumstances change and progress is made with respect to these other activities, the Receiver will likely file additional interim reports providing additional information regarding the status of the receivership.

16. The information provided in this report is based upon information currently known to the Receiver Team. Review of Pinnacle's business records continues. As indicated above, much of the work has been focused on the real property and the Receiver believes that the information provided is true and correct. However, it is important to emphasize that, as this receivership continues,

the Receiver Team may discover facts indicating that the information provided in herein is incomplete or incorrect.

Respectfully submitted, this 26th day of January, 2007.

By: /s/ J. David Dantzler, Jr.
J. David Dantzler, Jr.
Georgia Bar No. 205125
Attorney for S. Gregory Hays,
Receiver for Defendants Pinnacle
Development Partners, LLC

Troutman Sanders LLP
Bank of America Plaza, Suite 5200
600 Peachtree Street, N.E.
Atlanta, Georgia 30308-2216

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

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, vs. PINNACLE DEVELOPMENT PARTNERS, LLC, and GENE A. O'NEAL Defendants.	CIVIL ACTION NO. 06 CV 2431
--	-----------------------------

CERTIFICATE OF SERVICE

This shall certify that on January 26, 2007, I electronically filed the RECEIVER'S SECOND INTERIM REPORT with the Clerk of Court using the CM/EFC system, which will automatically send an e-mail notification of such filing to the following attorneys of record:

James Alexander Rue

Michael J. O'Leary

I further certify that, on January 16, 2007, the foregoing has been served to the following non-CM/ECF participants by United States Mail, postage pre-paid:

Michael D. Watson
Securities & Exchange Commission
3475 Lenox Road, N.E., Suite 1000
Atlanta, GA 30326-1232

This 26th day of January, 2006.

/s/ J. David Dantzler, Jr.
J. David Dantzler, Jr.
Georgia State Bar No. 205125