



# Department of Justice

United States Attorney David E. Nahmias  
Northern District of Georgia

FOR IMMEDIATE RELEASE

03/08/07

<http://www.usdoj.gov/usao/gan/>

CONTACT: Patrick Crosby

(404)581-6016

FAX (404)581-6160

**HEAD OF PURPORTED REAL ESTATE INVESTMENT FUND**  
**INDICTED IN \$69 MILLION PONZI SCHEME;**  
**MAKES FIRST APPEARANCE IN COURT**

*Defendant Gene O'Neal Guaranteed A 25% Return On Investment In 60 Days*

Atlanta, GA - GENE A. O'NEAL, 36, of Atlanta, Georgia, made an initial appearance today before a United States Magistrate Judge on federal charges of mail and wire fraud. O'NEAL allegedly ran a scheme that defrauded investors in Pinnacle Development Partners, LLC ("Pinnacle"), a purported real estate investment fund based in Atlanta. O'NEAL was indicted by a federal grand jury on the charges earlier this week.

"O'Neal's promises of huge returns in a short period opened the floodgates to investment," said United States Attorney David E. Nahmias. "He allegedly raised more than \$69 million in 15 months by making promises of exorbitant returns from the purchase, improvement and sale of real estate. He then used the capital contributions of later investors to pay the returns promised to earlier investors. Contrary to what he told his investors, O'Neal allegedly did not realize the hefty returns he guaranteed but rather continued to draw in ever-increasing amounts of investment from other investors and therefore ever-increasing amounts of unsustainable but undisclosed debt."

FBI Special Agent In Charge Greg Jones said, " This case not only demonstrates that the FBI is well suited to pursue such cases of large scale fraudulent investments or ponzi schemes, with their victims scattered over many states, it also demonstrates that we are committed to such a pursuit. The economic losses sustained by the victims of such schemes reverberates throughout our community in many ways. We hope that this investigation and the resulting indictment will serve notice to others contemplating any similar type financial schemes."

Inspector-in-Charge Martin D. Phanco said, "From the boiler room to the boardroom, United States Postal Inspectors work around the clock enforcing more than 200 federal laws in support of its mission by protecting the nation's mail system from criminal misuse. We will always remain steadfast in our efforts to investigate those

individuals or corporations who are responsible for illegally using the U.S. Mail in the furtherance of their fraudulent schemes.”

According to the indictment and the documents and information presented in court: Beginning in July 2005, Pinnacle, which was founded by O'NEAL and headquartered in Atlanta, allegedly began telling investors they could make a 25% profit in 45 days, which later became a 25% profit in 60 days, upon investment in partnerships Pinnacle formed to acquire real property. Investors were told that Pinnacle was in the business of purchasing distressed, foreclosed or bank-owned real estate, which Pinnacle intended to “flip” for a profit after making minor repairs and cosmetic improvements. Pinnacle solicited investment by running more than \$2.5 million worth of advertising in national and local media publications. As a result of his aggressive advertising campaign promising 25% returns in either 45 or 60 days, O'NEAL induced more than 2,000 investors from throughout the United States and some foreign countries to invest more than \$69 million in just 15 months.

Pinnacle allegedly represented in its offering materials that its real property had been and continued to be sold at a substantial profit to third parties, that it contributed 50% of its own capital to the acquisition costs of its real property and that its investors were secured by being individually named on the deeds to Pinnacle real estate. The indictment alleges that, in fact, Pinnacle never sold, or for that matter significantly developed or improved, any of the real property it bought with investor funds and therefore never generated any income with which to pay the 25% profits, plus a return of principal, O'NEAL had guaranteed his investors. To pay the false returns promised to Pinnacle investors, which upon reinvestment was compounding 25% every 60 days, O'NEAL allegedly “recycled” more than \$25 million in invested capital from later investors to earlier investors, who were falsely told that their returns were being paid from the development and sale of Pinnacle real property.

According to the indictment, over a period of time, as huge amounts of investment poured in, Pinnacle allegedly acquired larger and considerably more expensive, both in terms of acquisition and development costs, parcels of real estate. Investors were told that this real estate would be developed in phases, with Pinnacle partnerships holding the properties, for 60 days at a time, during the various stages of development. In fact, however, of the 21 real estate parcels Pinnacle bought, only half were assigned to a Pinnacle partnership and less than half of the partnerships Pinnacle formed ever appeared as record owners or partial record owners of Pinnacle real property, meaning that investors associated with the majority of Pinnacle's partnerships were never assigned to a property, much less individually named on its deed. In addition, the multi-family structures and raw land Pinnacle purchased (using 100% investor assets) required extensive and lengthy rehabilitation and development to ever generate income or be sold at a profit. To conceal the fact that Pinnacle was neither selling nor otherwise developing its properties, O'NEAL allegedly directed that certain of them be transferred between and

among Pinnacle partnerships. Although these were merely paper transactions and did not involve an actual sale, the transfer prices were as much as 10 times the initial acquisition price, thereby fostering the illusion that properties were being developed and sold at significant profits.

Aside from the \$2.5 million spent on advertising, O'NEAL also allegedly used investor assets to pay more than \$2.5 million in salary and commissions, more than \$700,000 to furnish Pinnacle's offices, and more than \$3.5 million in general and administrative expenditures. Pinnacle's investors also bought, among other things, a \$72,000 Land Rover, a \$69,000 Cadillac Escalade and, for O'NEAL's personal benefit, a \$117,000 Maserati and \$26,000 worth of jewelry.

The indictment's 19 mail and wire fraud counts each carry a maximum term of imprisonment of 20 years and a maximum fine of \$250,000 per count. The indictment also seeks forfeiture of all proceeds of the alleged fraud.

The U.S. Securities and Exchange Commission filed a lawsuit against the Defendant and Pinnacle Development Partners, in October 2006, seeking an injunction against the alleged fraudulent activity, appointment of a receivership, and other relief. A federal judge in Atlanta issued a preliminary injunction and appointed a receiver, who has taken charge of the business and assets of Pinnacle Development Partners. The pleadings and reports filed by the receiver are publicly available in the court's docket, under the civil action entitled U.S. Securities and Exchange Commission v. Pinnacle Development Partners LLC and Gene O'Neil, 1:06-CV-2431-JTC (N.D.Ga October 11, 2006).

Members of the public are reminded that the indictment only contains charges. The defendant is presumed innocent of the charges and it will be the government's burden to prove the defendant's guilt beyond a reasonable doubt at trial.

This case is being investigated by Special Agents of the Federal Bureau of Investigation and Postal Inspectors with the United States Postal Inspection Service.

Assistant United States Attorneys Justin Anand and Paul Monnin are prosecuting the case.

For further information please contact David E. Nahmias (pronounced NAH-me-us), United States Attorney, or Charysse L. Alexander, Executive Assistant United States Attorney, through Patrick Crosby, Public Affairs Officer, U.S. Attorney's Office, at (404) 581-6016. The Internet address for the HomePage for the U.S. Attorney's Office for the Northern District of Georgia is [www.usdoj.gov/usao/gan](http://www.usdoj.gov/usao/gan).