

ADMINISTRATIVE PROCEEDING

BEFORE THE

SECURITIES COMMISSIONER OF SOUTH CAROLINA

IN THE MATTER OF:)
)
Pinnacle Management Group, LLC) CONSENT ORDER
And Michael Amos,) File No. 10021
)
)
Respondents.)

WHEREAS, Respondent PMG is registered under the laws of the State of South Carolina with a registered agent address of 103 Regents Gate Court, Simpsonville, South Carolina 29681; and

WHEREAS, Respondent Amos' home address during the time period relevant herein was 103 Regents Gate Court, Simpsonville, South Carolina 29681 and Amos is an officer and owner of PMG, as well as serving as its registered agent; and

WHEREAS, the Securities Division of the Office of the Attorney General of the State of South Carolina (the "Division"), pursuant to authority granted in the South Carolina Uniform Securities Act of 2005 (the "Act"), S.C. Code Ann. § 35-1-101 to 35-1-703 (Supp. 2010), on or about February 25, 2010, received information regarding alleged activities of Pinnacle Management Group, LLC ("PMG") and Michael Amos ("Amos") (collectively, the "Respondents") which, if true, would constitute violations of the Act; and

WHEREAS, the information led the Division to open and conduct an investigation of the Respondents pursuant to S.C. Code Ann. § 35-1-602; and

WHEREAS, the Respondents wish to resolve the above matters by Consent Order rather than by a formal hearing before the Securities Commissioner (the "Commissioner"); and

WHEREAS, the Respondents admit the Commissioner has jurisdiction in this matter and desire to bring this matter to conclusion and have agreed, without any admission that there has been any violation of the Act, to the remedies set forth below.

Without the Respondent admitting to any such findings or conclusions, the Division makes the following findings and conclusions:

Findings of Fact

Promissory Notes

1. Beginning in 2005, and continuing until early 2009, the Respondents issued numerous promissory notes to South Carolina residents, as well as to residents of other states.
2. Although Respondent Amos signed the promissory notes personally, and personally guaranteed the stated returns, Amos contributed the money from the notes to Respondent PMG as an "equitable contribution." PMG made payments to individual investors and issued Forms 1099 to investors annually.
3. The promissory notes issued to South Carolina residents were issued for \$30,000 to \$260,000. The rate of return promised on the majority of these notes was 48% per annum or higher.
4. The term of the promissory notes issued in South Carolina ranged from six months to one hundred and twenty (120) months. The majority were issued for a term of one hundred and twenty (120) months.
5. No representation was made on the face of the promissory notes regarding what use would be made of the principal or how Respondents intended to produce the promised returns.

6. Respondent Amos indicated that in conversations with note purchasers he discussed his business success investing in real estate, as well as his success investing in the options market, but made no specific statement as to what use he would put any specific investment.
7. Respondent Amos indicated that he first began issuing promissory notes when he was approached by family members who desired assistance investing money. In an effort to avoid registering as a securities professional, Amos took this money as a "personal loan" and issued a promissory note with a guaranteed rate of return. Thereafter, Amos issued similar notes to numerous individuals.
8. Respondent Amos indicated that he invested the principal from these notes in several ways; primarily through various real estate transactions and through options trading, but also by making loans to other individuals or businesses.
9. At least one such loan from the investor funds in the amount of \$400,000 was never repaid to Respondents.
10. Respondent Amos stated that he intended to keep any returns on the invested funds above the returns stated in the promissory notes as his compensation.
11. In or about February, 2009, Respondent Amos stopped paying the promised monthly returns to note holders.

Doe Valley Real Estate

12. Beginning November, 2007, Respondent Amos, by and through Respondent PMG, began offering investments in a development known as Doe Valley, located near Fort Knox, Kentucky.

13. At one time, the Respondents represented they owned or had options to buy more than half of the approximately 1500 lots available in this development. A number of these lots were sold to South Carolina residents during the period at issue as part of Respondents' Doe Valley investment plan.
14. The investment plan involved the execution of several simultaneous or contemporaneous transactions:
- a. The Respondents first sold individual lots and blocks of lots to investors, with the express understanding that the lots were being purchased at a price substantially above their current market value. Lots were titled in the investors' names.
 - b. Contemporaneous with the execution of a sale of Doe Valley Lots, the Respondents executed a lease-back agreement, in which Respondents maintained control of the lots for a term certain and paid the new owner of the property a set return. At a minimum this return was intended to cover the holding costs of the property – taxes, insurance, homeowners association dues, and golf course dues.¹
 - c. In addition to the sales contract and the lease-back agreement, the Respondents executed a repurchase agreement, in which the Respondents promised to repurchase the property at the end of the lease for a price above that which was paid by the investor.²
15. The Respondents ceased making lease payments on Doe Valley properties in or around February, 2009.
16. Liens have been placed on numerous Doe Valley properties owned by South Carolinians, making those properties more difficult for investors to sell.

¹ In some cases, the return was contracted to be paid in a single sum upon Respondents' repurchase of the property.

² In some cases, the Respondents would enter into a purchase option agreement rather than a repurchase agreement.

Conclusions of Law

WHEREAS, the promissory notes offered by Respondents constitute “securities” within the meaning of S.C. Code Ann. § 35-1-102(29); and

WHEREAS, the real estate investments offered by Respondents constitute investment contracts, and are “securities” within the meaning of S.C. Code Ann. § 35-1-102(29); and

WHEREAS, Respondent Amos, as described above, acted as an agent by effecting and/or attempting to effect sales of securities in or from this State; and

WHEREAS, Respondent Amos was not registered in South Carolina or exempt from registration as an agent within the meaning of the Act; and

WHEREAS, Respondent PMG utilized Amos, who was not a registered or exempt agent, to offer and sell its securities in South Carolina; and

WHEREAS, the securities Respondents offered and sold in and from South Carolina were not (i) registered, (ii) federal covered securities, or (iii) otherwise exempt within the meaning of the Act; and

WHEREAS, based on the foregoing, the Division has determined that the Respondents have engaged, are engaging, and/or are about to engage in acts and practices which violate S.C. Code Ann. §§ 35-1-301 and 35-1-402(a) and (d).

As indicated above, the Respondents do not admit to the findings and conclusions herein. However, by the execution hereof, the Respondents do hereby agree to be bound by the following cease and desist order:

CEASE AND DESIST ORDER

NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604(a)(1), IT IS HEREBY ORDERED that the Respondents and every successor, affiliate, control person, agent, servant, and employee of the Respondents, and every entity owned, operated, or indirectly or directly controlled by or on behalf of the Respondents:

- a. Immediately cease and desist from transacting business in this State in violation of the Act, and in particular, S.C. Code Ann. §§ 35-1-301 and 35-1-402(a) and (d) thereof; and
- b. Specifically, (i) cease and desist offering and selling promissory notes in or from South Carolina, and (ii) cease and desist offering investment contracts or any other securities in or from South Carolina, until such time as both the Respondents and the securities offered by the Respondents are properly registered with the Division or unless there is otherwise an available exemption from such registration; and
- c. Pay a civil penalty in the amount of five thousand dollars (\$5,000.00) and costs of investigation of five thousand dollars (\$5,000.00).

Upon execution by the Securities Commissioner, this Order resolves Administrative Proceeding 10021 as it relates to the Respondents. This Order should not be interpreted to waive any (i) criminal cause of action, (ii) private cause of action that may have accrued to investors as a result of Respondents' participation in the activities described herein, or (iii) other causes of action which may result from activities of the Respondents not detailed above or which may hereafter arise.

IT IS SO ORDERED this 22 day of August, 2011.

By: Alan Wilson
Alan Wilson
Securities Commissioner
State of South Carolina

WE CONSENT:

Securities Division of the Office of the Attorney General

By: Michael S. Traynham
Michael S. Traynham
Assistant Attorney General
Securities Division

Date: 8/10/11

Pinnacle Management Group, LLC

By: Michael E. Amos
Michael Amos
President

Date: 07/21/2011

Michael Amos

By: Michael E. Amos

Date: 07/21/2011