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UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-16181

In the Matter of

Duncan J. MacDonald, III,

Respondent.

DIVISION OF ENFORCEMENT'S MOTION FOR SUMMARY DISPOSTION

The Division of Enforcement moves for summary disposition of the claims in the Order Instituting Administrative Proceeding ("OIP") brought under Section 15(b) of the Securities Exchange Act of 1934 ("Exchange Act") against Respondent Duncan J. MacDonald, III ("MacDonald" or "Respondent"). The Division requests that permanent collateral and penny stock bars be imposed on MacDonald because he has (1) been enjoined from future violations of various provisions of the Securities Act of 1933 (the "Securities Act"), and the Exchange Act and Rules thereunder for his conduct in a securities fraud scheme; and (2) pleaded guilty to criminal fraud charges arising from the same scheme.

I.
STATEMENT OF FACTS

1. On June 17, 2013, the Commission filed a civil action against MacDonald, among others, in the United States District Court for the Northern District of Texas, Cause No. 3:13-cv-2275. Exhibit A.[1] In its Complaint, the Commission alleged that MacDonald raised almost $10

[1] In support of this motion, the Division is attaching true and correct copies of the following documents from the civil injunctive and criminal actions: the Commission's Complaint (Exhibit A); the Civil Judgment (Exhibit B); the Information filed against MacDonald (Exhibit C); the Guilty Plea (Exhibit D); the Criminal Judgment (Exhibit E); the Consent of Duncan MacDonald (Exhibit F). The Division respectfully requests that the Court take official notice of Exhibits A through F in accordance with Rule of Practice 323. *See, e.g., In re Dominick J. Savino*, Initial Dec. Rel. No. 313, 2006 SEC LEXIS 1428, at *2 (June 20, 2006) (ALJ Murray) (pursuant to Rule 323, taking

million from approximately 80 investors in a Ponzi scheme in which he falsely claimed that his company, Global Corporate Alliance, Inc. ("GCA"), generated significant revenue from the sale of medical insurance when in fact the company had almost none. Exhibit A, at ¶ 1. The Commission further alleged that MacDonald's conduct violated Sections 5 and 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e and 77q(a)], Sections 10(b) and 15(a) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78j(b) and 78o(a)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]. Exhibit A, at ¶ 5. In its Complaint, the Commission sought injunctive relief, disgorgement with prejudgment interest thereon, and civil monetary penalties. Exhibit A, at ¶ 6.

2. On June 13, 2013, the United States Attorney's Office for the United States District Court for the Northern District of Texas filed a criminal information against MacDonald, Cause No. 3:13-cr-220, for conduct related to the facts alleged in the Commission's Complaint. Exhibit C.

3. MacDonald pleaded guilty to one count of conspiracy to commit wire fraud in violation of Title 18 United States Code, Sections 371 and 1343, on July 9, 2013. Exhibit D.

4. On August 8, 2013, an agreed partial judgment was entered by consent against MacDonald, permanently enjoining him from future violations of Sections 5 and 17(a) of the Securities Act, Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder. Exhibit B.

5. A judgment in the criminal case was imposed against MacDonald on April 3, 2014. He was sentenced to a prison term of 60 months followed by three years of supervised release and ordered to make restitution of $8,808,897. Exhibit E.

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official notice of the complaint, judgment, and memorandum opinion in underlying SEC injunctive action on motion for summary disposition).

6. On September 29, 2014, the Commission issued the OIP in this matter.

7. After receiving an extension to file an Answer, MacDonald submitted a document entitled "Offer of Settlement," which was deemed as a timely filed Answer on January 8, 2015.

8. Based on MacDonald's "Offer of Settlement," the Division requested and received a deferral of the summary disposition briefing to attempt to reach a settlement. The parties have not yet been able to reach a settlement.

9. The Division contends that it is in the public interest to impose permanent collateral and penny stock bars on MacDonald because of the civil injunction and criminal conviction.

II.
ARGUMENT

Summary disposition of this matter is appropriate. The Division's allegations, including MacDonald's injunction and criminal conviction, are undeniably true and no defenses to them exist. These facts entitle the Division to summary disposition as a matter of law. Further, the imposition of permanent collateral and penny stock bars against MacDonald is in the public interest.

A. Summary Disposition Standard

A motion for summary disposition may be granted if there is no genuine issue with regard to any material fact and the party making the motion is entitled to summary disposition as a matter of law. 17 C.F.R. § 201.250(b). The facts of the pleadings of the party against whom the motion is made shall be taken as true, except as modified by stipulations or admissions made by him, by uncontested affidavits, or by facts officially noticed pursuant to Rule 323. 17 C.F.R. § 201.250(a).

The Commission has repeatedly upheld use of summary disposition in cases such as this, where the respondent has been enjoined or convicted and the sole determination concerns the appropriate sanction. *See Gary M. Kornman*, Exchange Act Release No. 59403 (Feb. 13, 2009), 95 SEC Docket 14246, 14262-63, *pet. denied*, 592 F.3d 173 (D.C. Cir. 2010); *Jeffrey L. Gibson*, Exchange Act Release No. 57266 (Feb 4, 2008), 92 SEC Docket 2104, 2111-12 & nn. 21-24 (collecting cases), *pet. denied*, 561 F.3d 548 (6th Cir. 2009). Under Commission precedent, the circumstances in which summary disposition in a follow-on proceeding involving fraud is not appropriate "will be rare." *John S. Brownson*, 55 S.E.C. 1023, 1028 n.12 (2002), *pet. denied*, 66 F. App'x 687 (9th Cir. 2003). *See also Anthony Chaisson*, Initial Dec. Rel. No. 589, at *2-3 (April 18, 2014) (ALJ Elliot).

B. The OIP Allegations Are True

The facts alleged in Section II of the OIP are true. MacDonald created GCA to sell medical insurance products to individuals in large associational groups. To solicit investors to help capitalize the company, MacDonald offered investment contracts that would pay the investors a percentage of the revenue GCA earned from selling medical insurance to its clients. The Commission's Complaint, which was the basis for the entry of the injunction, alleged that, in connection with the sale of these investment contracts, MacDonald directly and indirectly made misrepresentations to investors about the state and success of his business, its history, the use of the investors' funds, and that he otherwise engaged in a variety of conduct which operated as a fraud and deceit on investors. Exhibit A, at ¶¶ 34-41. The Complaint also alleged that MacDonald, while not registered as a broker or associated with a registered broker, sold unregistered securities. Exhibit A, at ¶ 43. The Commission obtained a consent judgment against MacDonald on August 8, 2013, permanently enjoining him from violations of Sections 5

and 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. Exhibit B. Further, on July 9, 2013, MacDonald pleaded guilty to, and was later convicted of, conspiracy to commit wire fraud in violation of Title 18 United States Code, Sections 371 and 1343, relating to the same conduct underlying the Commission's Complaint. Exhibit E. As part of his guilty plea, MacDonald admitted many of the facts alleged in the Commission's Complaint. Exhibit F.

Respondent has no defense to these fundamental underlying facts. The Complaint alleges what it alleges. The permanent injunction was entered on August 8, 2013, and the criminal judgment was imposed on April 3, 2014. Thus MacDonald has no defense to the Commission's consideration of whether remedial measures should be taken in the public interest.

C. Summary Disposition Is Appropriate

Rule 250 of the Commission's Rules of Practice permits a party, with leave of the hearing officer, to move for summary disposition of any or all of the OIP's allegations if there is "no genuine issue with regard to any material fact and the party making the motion is entitled to a summary disposition as a matter of law." 17 C.F.R. § 201.250(b). Pursuant to this Rule, the Division was granted leave to file a motion for summary disposition at the Prehearing Conference on December 3, 2014.

The Commission has a statutory mandate to bar, if in the public interest, any person from (1) associating with an investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization ("collateral bar"); and (2) participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the

purchase or sale of any penny stock ("penny stock bar"), if such person has been enjoined from violating federal securities laws or, within the last ten years, convicted of a felony involving the purchase or sale of any security. 15 U.S.C. § 78o(b)(4) and (6).

MacDonald cannot dispute that he was enjoined by the District Court from future violations of Sections 5 and 17(a) of the Securities Act, Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder. Exhibit B. Accordingly, MacDonald has been enjoined from "any action, conduct or practice" within the meaning of Exchange Act § 15(b)(6)(A)(iii). Nor can he dispute that he was convicted in 2014 on charges arising from the same conduct underlying the Commission's Complaint. Exhibit E. Accordingly, MacDonald, within the last ten years, has been convicted of a felony involving "the purchase or sale of any security" within the meaning of Exchange Act § 15(b)(6)(A)(ii). The Commission is therefore entitled to summary disposition as a matter of law.

D. A Permanent Bar Is the Remedial Action in the Public Interest

The remaining issue is the appropriate remedial sanctions. The only appropriate sanctions in this case are permanent collateral and penny stock bars. In determining whether it is in the public interest to impose such bars, six factors are generally considered: (i) the egregiousness of the respondent's actions; (ii) the isolated or recurrent nature of the infractions; (iii) the degree of scienter involved; (iv) the sincerity of the respondent's assurances against future violations; (v) the respondent's recognition of the wrongful nature of his conduct; and (vi) the likelihood that respondent's occupation will present opportunities for future violations. *See Steadman v. SEC*, 603 F.2d 1126, 1140 (5th Cir. 1979), *aff'd on other grounds*, 450 U.S. 91 (1981); *Robert Radano*, 2006 SEC LEXIS 832, at *14 (*Steadman* factors utilized in determining whether bar was in the public interest). The record in this matter makes clear that the *Steadman*

factors favor barring MacDonald because his conduct was egregious, recurrent, and involved a high degree of scienter.

The egregious nature of MacDonald's conduct is made clear in the Complaint. When MacDonald talked with investors and brokers about his company, he significantly misrepresented the company's history and current status. Exhibit A, at ¶ 20. Although he told investors and brokers that the company had successfully run this type of program in the past and had more than 100,000 current clients, in reality the company had never conducted this type of program and had no customers. Exhibit A, at ¶ 20. While MacDonald was able to fraudulently solicit significant investment, he had much less success selling his insurance products. Exhibit A, at ¶ 23. Indeed, the program never had more than about 40 paying clients, many of who came from GCA's own employees. Exhibit A, at ¶ 23. But MacDonald led investors to believe that GCA was successfully selling its products. Exhibit A, at ¶ 23. Each month, MacDonald fabricated sales figures to make it appear that sales were occurring. Exhibit A, at ¶ 23. He then included these false sales figures on monthly statements that he sent to investors. Exhibit A, at ¶ 23. These statements served as the basis for the Ponzi payments that the investors received. Exhibit A, at ¶ 24.

In addition to being egregious, MacDonald's behavior was also recurrent. MacDonald did not lie to investors just once, he did so repeatedly. First, he lied to solicit the investments. As noted above, MacDonald lied to investors and brokers about the history and status of his business. Exhibit A, at ¶ 20. MacDonald knew that those lies would be repeated to induce investment into his company. And those lies were repeated over and over, ultimately resulting in sales to around 80 investors who invested almost $10 million into the scheme. Second, MacDonald repeatedly lied to investors after they had already invested in the program. Month

after month, MacDonald would fabricate enrollment figures to make investors believe that the company was successfully enrolling insureds, when, in fact, virtually no one enrolled. Exhibit A, at ¶ 23. Finally, MacDonald repeatedly lied about the circumstances causing the company to miss payments to investors. Instead of admitting his wrongdoing, he concocted various reasons why GCA could not pay investors, blaming anyone but himself. Exhibit A, at ¶ 29. In short, MacDonald's scheme did not involve just one untruthful moment; rather, it was lies from beginning to end.

MacDonald's conduct involved a high degree of scienter. Not only did he blatantly lie to investors, he did so repeatedly, knowingly, and with the intent that those lies cause investors to entrust him with their money. Moreover, MacDonald's attempts to conceal his fraud, through even more lies, confirms the high level of his scienter and emphasizes the need for the requested bars.

Finally, MacDonald has never given any assurance against future violations or recognized the wrongful nature of his conduct. Respondent's failure to recognize the wrongfulness of his conduct presents a significant risk that, given the opportunity, he would commit further misconduct in the future. *See Michael J. Markowski*, 2001 SEC LEXIS 502, at *17 (March 20, 2001).[2] Under settled precedents, the public interest requires collateral association and penny stock bars. Such an order is also necessary to protect the public from future misconduct.[3]

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[2] *See also In re Ian L. Renert*, Initial Dec. Rel. No. 254, 2004 SEC LEXIS 1579, at* 8 (July 27, 2004) (ALJ Mahony) (in granting Division motion for summary disposition, court concluded that a "strong likelihood" exists for future violations in part because of respondent's "utter failure to recognize any wrongdoing"); In re G. Bradley Taylor, Initial Dec. Rel. No. 215, 2002 SEC LEXIS 2429, at * 36 (Sept. 24, 2002) (ALJ McEwen) (in barring defendant from associating with a broker or dealer, the court observed that the defendant denied any harm resulting from his conduct).

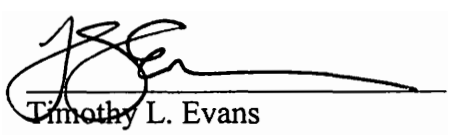
[3] *See In re Ted Harold Westerfield*, Exchange Act Rel. No. 41126, 1999 SEC LEXIS 433 (March 1, 1999) (holding that bar was in the public interest against respondent who entered into a secret kickback scheme over a

III.
CONCLUSION

For the foregoing reasons, the Division respectfully requests that its motion for summary disposition be granted and that an order issue permanently barring MacDonald from (1) associating with an investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and (2) participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

February 6, 2015

Respectfully submitted,



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seven-month period); *In re Michael I. Nnebe*, Initial Dec. Rel. No. 269, 2005 SEC LEXIS 11, at* 11-12 (Jan. 5, 2005) (ALJ Murray) (injunctions from future violations of the antifraud provisions have "especially serious implications for the public interest," and will "'ordinarily" support a bar from "participation in the securities industry"); *In re Hunter Adams*, Exchange Act Rel. No. 48457, 2003 SEC LEXIS 2147, at *40 (Sept. 8, 2003) (ALJ Murray) (bar was in the public interest where "continued participation by Respondents in the securities industry would allow an opportunity for future violations"); *In re Michael D. Richmond*, Initial Dec. Rel. No. 224, 2003 SEC LEXIS 448, at* 6-7 (Feb. 25, 2003) (ALJ Mahony) (bar was in the public interest where conduct was egregious and respondent still does not acknowledge the wrongful nature of his conduct).

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

SECURITIES AND EXCHANGE COMMISSION,	§	
	§	
Plaintiff,	§	
	§	
v.	§	**Case No.:**
	§	
DUNCAN J. MACDONALD, III and GLORIA SOLOMON,	§	
	§	
Defendants,	§	
	§	

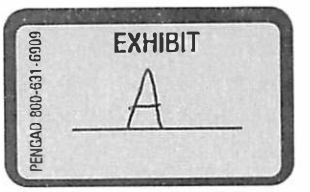
COMPLAINT

Plaintiff, the United States Securities and Exchange Commission (the "Commission"), files this Complaint against Defendants Duncan J. MacDonald ("MacDonald") and Gloria Solomon ("Solomon"), and alleges:

SUMMARY

1. Since 2008, Defendants have run a Ponzi scheme that raised almost $10 million from at least 80 investors by falsely alleging that the Defendants' company generated significant revenue from the sale of medical insurance. Defendants pitched their program by telling investors that they had hundreds of thousands of premium-paying insured members when, in reality, they never had more than 40.

2. To support their claims of success, MacDonald and Solomon directly and indirectly made misrepresentations to investors about the state of their company's business, its history, and the use of the investors' funds. For example, they led investors to believe that their company had a successful history of soliciting paying members, that the company was



generating significant revenue from these paying members, and that MacDonald and Solomon had previously sold off a portion of that revenue to a Chinese hedge fund. None of this was true.

3. While MacDonald and Solomon were able to solicit investors into their scheme with these lies, they had to show results to perpetuate the scheme. Accordingly, they began fabricating enrollment figures to materially inflate the number of new paying members. They sent these falsified numbers both to potential investors, to solicit additional investments, and to existing investors, to show growth and to serve as a justification for the bogus returns.

4. MacDonald and Solomon successfully solicited funds from their final investor in December 2011. Shortly after receiving those funds, they were unable to continue making Ponzi payments. To stave off concerned investors, MacDonald and Solomon conducted a stall campaign over the next year in which they concocted various reasons why they could not make payments.

5. By engaging in the conduct described in this Complaint, Defendants have engaged in a fraudulent scheme and have made materially false and misleading statements in connection with the purchase of securities in an unregistered securities offering, and thus have violated and may be continuing to violate, Section 5 of the Securities Act of 1933 ("Securities Act") [15 U.S.C. § 77e]; certain of the anti-fraud provisions of the federal securities laws, including specifically Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder; and the unregistered broker provision of Section 15(a) of the Exchange Act [15 U.S.C. § 78o].

6. The Commission asks the Court to enter: (1) a permanent injunction restraining

and enjoining Defendants; (2) an order directing Defendants to disgorge all ill-gotten gains, with prejudgment interest; and (3) an order directing Defendants to pay civil penalties.

JURISDICTION AND VENUE

7. The investments offered and sold by Defendants are "securities" under Section 2(1) of the Securities Act [15 U.S.C. § 77(b)1)] and Section 3(a)(10) of the Exchange Act [15 U.S.C. § 78c(a)(10)].

8. The Commission brings this action under the authority conferred upon it by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] to temporarily, preliminarily, and permanently enjoin Defendants from future violations of the federal securities laws.

9. This Court has jurisdiction over this action under Section 22(a) of the Securities Act of 1933 [15 U.S.C. § 77v(a)] and Section 27 of the Securities Exchange Act of 1934 [15 U.S.C. §§ 78u(e) and 78aa].

10. Defendants have, directly or indirectly, made use of the mails and of the means and instrumentalities of interstate commerce in connection with the acts, transactions, practices, and courses of business described in this Complaint.

11. Venue is proper in this district because certain of the acts, transactions, practices, and courses of business constituting the violations alleged in this Complaint occurred in the Northern District of Texas.

PARTIES

12. Duncan J. MacDonald, III, age 50, resides in Dallas, Texas. He was the Chairman of the Board and President of Global Corporate Alliance, Inc. and served as an executive officer and/or director in numerous companies he created as part of this scheme.

13. Gloria Solomon, age 71, resides in Dallas, Texas. She served as Chief Administrative Officer of Global Corporate Alliance, Inc. and held various executive and director positions in the family of companies created by MacDonald.

STATEMENT OF FACTS

14. In 2008, Defendant Duncan MacDonald set out to start an insurance company that would market medical insurance to large groups. MacDonald named his new venture Global Benefits Corporation ("GBC") and had the company incorporated in Nevada in May 2008.

15. To offer insurance to groups, MacDonald had to acquire an association group insurance policy, which provides a single policy to a pool of insureds. To obtain the association group insurance policy, MacDonald needed an association group that had a history of operations and existing members. In July 2008, he located and purchased such an organization—North American Consumer Alliance ("NACA"), a 40-year-old association group and Texas nonprofit corporation.

16. In September 2008, MacDonald incorporated Global Corporate Alliance, Inc. ("GCA") in Texas. According to MacDonald's design, GBC served as the holding company for a family of companies controlled by MacDonald, including NACA. GCA was the management company for the companies held by GBC and most of the business activity was conducted in the

name of GCA. The companies were operated out of the Defendants' homes and temporary office spaces in and around Dallas County, Texas.

17. In addition to MacDonald, the GBC family of companies was to be overseen by Defendant Gloria Solomon, who had worked with MacDonald in previous ventures and would handle many of the routine tasks needed to run the GBC family of companies and perpetuate their scheme.

18. MacDonald planned for NACA to enter into agreements with other associations under which members of those associations would automatically become members of NACA. NACA would then give those new members free benefits, such as a prescription-drug savings card. But NACA only generated revenue if it was able to successfully market its medical insurance products to these members, making them *premium-paying* members.

19. MacDonald believed that the new venture required $15 million of initial capital and envisioned that this funding would come from a single investor. During 2008 and 2009, MacDonald was introduced to and spoke with a number of people he understood to have access to these kinds of funds, including potential investors and brokers. But MacDonald and Solomon began spending money on the business before raising any capital. They began hiring employees, heavily marketing the program, and pursuing sponsorship agreements with large groups. Indeed, by June 2010, GCA had entered into a multi-year, multi-million dollar sponsorship.

20. MacDonald tried for months to find a single investor, but was unsuccessful. Accordingly, MacDonald decided to fractionalize the program—for example, seeking 15 investors to invest one million dollars each, rather than a single $15 million investment. When pitching the business to a least some of these investors, and to brokers who were assisting him in

identifying investors, MacDonald significantly misrepresented the history and state of GCA and NACA's business. First, MacDonald led them to believe that NACA already had more than 100,000 premium-paying members. Further, he told them that GCA had previously sold a portion of its revenue stream from these paying members to a Chinese hedge fund. MacDonald told them that these kinds of purchases were normally not offered to individual investors but were typically reserved for large institutional investors. In reality, when MacDonald made these statements, GCA and NACA had no paying members, no revenue, no history of selling interests in a revenue stream, and no relationships with institutional investors or a Chinese hedge fund.

21. MacDonald and Solomon used an "Overage Purchase Agreement" ("OPA") as their investment contract. Under the OPA, in exchange for their investment, the investor—or as defined in the OPA, the "Overage Purchaser"—received a set monthly payment for each paying member that purchased insurance after the OPA was executed, up to one million members, for up to five years. This per-member, per-month payment ("PMPM") supposedly would come from the so-called "overage"—the difference between the prices members paid NACA for their health plans and the prices NACA paid insurers to purchase the group policies. The amount of the PMPM overage paid to an investor varied based on the amount of the investment. MacDonald told investors that because of NACA's nonprofit status, as well as federal and state insurance regulations, GCA was not able to retain the overage and was thus selling it off. Although the OPA was silent as to how GCA would use the investors' funds, the investors were told that it would be used for "capital reinvestment." They were never told that their funds would be used to make payments to other investors.

22. Over the next year and a half, between June 2010 and December 2011, MacDonald, Solomon, and others brought in almost $10 million from around 80 investors. MacDonald solicited $2 million himself, while brokers were responsible for soliciting the remaining $8 million. And they did so by repeating the false information that MacDonald told them when introducing them to the program. After successfully soliciting new investments, brokers would forward information about those new investors to Solomon, who would draft the OPA and coordinate its execution with the investor.

23. To help the brokers bring in new investors and to pacify existing investors, MacDonald and Solomon began fabricating enrollment numbers to make it appear that GCA was enrolling new members into NACA each month. MacDonald and Solomon created a so-called "Monthly Overage Disbursement Statement," which purported to show the monthly member enrollments and cancellations. Although the statements were meant to look as if they were generated from a database, they were actually made in Excel and populated by Solomon. These monthly statements were provided to the brokers by MacDonald and Solomon, with the intent and understanding that they would provide them to potential investors to induce their investment, and to existing investors to show performance by GCA and to serve as a basis for the monthly overage payments. According to the false numbers proliferated by MacDonald and Solomon, more than 111,000 members purchased NACA's health plans between January 2010 and January 2011. In reality, NACA never had more than about 40 paying members, and around 20 of those members were GCA's own employees. MacDonald and Solomon knew that the brokers were repeating their false claims to potential and existing investors, and intended for them to do so.

24. At MacDonald's direction, Solomon was primarily responsible for making the monthly PMPM payments to investors based on the false enrollment numbers. She and MacDonald knew that these payments were Ponzi payments, funded by new investor funds, and not from paying-member revenues.

25. Although he relied heavily on brokers, MacDonald himself was directly responsible for bringing in the single largest investor (the "Large Investor"). MacDonald made similar misrepresentations to the Large Investor as he had made to the brokers, including about GCA and NACA's history, their paying-member numbers, and their success.

26. Based on MacDonald's misrepresentations, the Large Investor, through an entity he owned, executed an OPA for an initial investment of one million dollars on September 3, 2011, for $1.00 PMPM. Within days of receiving the Large Investor's money, McDonald and Solomon distributed most of it to employees as salary, and to prior investors as "overage payments."

27. The Large Investor received at least one payment under his initial OPA, which was calculated on an enrollment figure fabricated by MacDonald and Solomon. Based on this payment and the prior misrepresentations, the Large Investor made a second investment of one million dollars around December 22, 2011, for which he was again to receive $1.00 PMPM. Similar to the Large Investor's first investment, GCA distributed these funds to investors and employees almost immediately.

28. After the Large Investor's second investment, MacDonald and Solomon were unable to raise any more money. Although they had missed a month or two of payments earlier

in 2011, they had been able to make those up using the money from the Large Investor. Now that his money was gone, GCA could no longer make monthly payments to investors.

29. Over the course of the next year, MacDonald and Solomon conducted a stall campaign in which they concocted various reasons why they could not make payments. They claimed that: the bank information for the investors had been lost and had to be reentered; GCA's legal department needed to suspend payments to confirm that the program was following all regulations; changes in regulations governing association group health policies eliminated the overage, and the program was being terminated; the money to buy out the investors was stuck in GCA's overseas account; the money had come in from the overseas account and would be disbursed tomorrow or the next day; and so on. These excuses were completely false. All the while, MacDonald was pursuing alternative means of financing the company and redeeming the investors. But no more money ever came.

30. By the time the scheme collapsed, GCA had raised around $9.5 million from investors and returned about $2 million back to investors in Ponzi payments and return of capital. Of the remaining $7.5 million, MacDonald and Solomon each received around $1 million. GCA paid its employees about $1.1 million in salary, and at least $650,000 went to its sponsorship agreement. The remaining funds were primarily consumed by travel and hotel expenses of $550,000; brokers' commissions of $1,275,000; legal expenses of $220,000; computer and telecommunication expenses of $200,000; regulatory fees and taxes of $180,000; and rents of $140,000. After all expenses were accounted for, GCA's accounts were left with a negative balance.

CLAIMS

FIRST CLAIM
Violations of Section 5 of the Securities Act

31. The Commission repeats and incorporates paragraphs 1 through 30 of this Complaint as if set forth verbatim.

32. Defendants, directly or indirectly, singly, in concert with others: (1) without a registration statement in effect as to the securities, (i) made use of the means or instruments of transportation or communication or the mails to sell such securities through the use or medium of a prospectus or otherwise, or (ii) carried or caused to be carried through the mails, or in instatement commerce, by an means or instruments of transportation, such securities for the purpose of sale or for delivery after sale; and (2) made use of the means or instruments of transportation or communications in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of a prospectus or otherwise securities for which a registration statement had not been filed as to such securities.

33. For these reasons, Defendants violated, and unless restrained and enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act.

SECOND CLAIM
Violations of Section 17(a) of the Securities Act

34. The Commission repeats and incorporates paragraphs 1 through 30 of this Complaint as if set forth verbatim.

35. Defendants, directly or indirectly, singly, in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, has: (a) employed devices, schemes or artifices to

defraud; (b) obtained money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which he were made, not misleading; and (c) engaged in transactions, practices or courses of business which operate or would operate as a fraud or deceit.

36. Defendants engaged in the above-referenced conduct, knowingly or with severe recklessness. Defendants were also negligent in their actions regarding the representations and omissions alleged herein.

37. For these reasons, Defendants violated, and unless restrained and enjoined, will continue to violate Section 17(a) of the Securities Act.

THIRD CLAIM
Violation of Section 10(b) of the Exchange Act and Rule 10b-5

38. The Commission repeats and incorporates paragraphs 1 through 30 of this Complaint by reference.

39. Defendants, directly or indirectly, singly or in concert with others, in connection with the purchase and sale of securities, by use of the means and instrumentalities of interstate commerce and by use of the mails have: (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices and courses of business which operate as a fraud and deceit upon purchasers, prospective purchasers and other persons.

40. Defendants engaged in the above-referenced conduct, intentionally, knowingly or with severe recklessness regarding the truth.

41. For these reasons, Defendants violated and, unless restrained and enjoined, will continue to violate Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

FOURTH CLAIM
Violation of Section 15(a) of the Exchange Act

42. The Commission repeats and incorporates paragraphs 1 through 30 of this Complaint by reference.

43. Defendants, directly or indirectly, singly or in concert with others, made use of the mails or any means or instrumentality of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of securities other than an exempted security or commercial paper, bankers' acceptances, or commercial bills without being registered as a broker or dealer with the Commission, or being associated with a broker or dealer registered with the Commission.

44. For these reasons, Defendants violated and, unless restrained and enjoined, will continue to violate Section 15(a) of the Exchange Act.

RELIEF REQUESTED

The Commission seeks the following relief:

1) An order of the Court that permanently restrains and enjoins Defendants, and, as appropriate, their agents, servants, employees, attorneys and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from future violations of Sections 5 [15 U.S.C. § 77e] and 17(a) [15 U.S.C. § 77q(a)] of the Securities Act, Sections 10(b) [15 U.S.C. § 78j(b)] and 15(a) [15 U.S.C. § 78o] the Exchange Act, and of Rule 10b-5 [17 C.F.R. § 240.10b-5] and from directly or indirectly soliciting or accepting funds from any person or entity for any unregistered offering of

securities.

2) An order of the Court directing Defendants to disgorge an amount equal to the funds and benefits they obtained illegally as a result of the violations alleged, plus prejudgment interest on that amount.

3) An order of the Court directing Defendants to pay civil monetary penalties under Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] for his violations of the federal securities laws.

4) Such further relief in law or equity that this Court may deem just and proper.

Dated: June 17, 2013

Respectfully Submitted,

s/ Timothy L. Evans
Timothy L. Evans (Attorney in charge)
Texas Bar No. [redacted]

Jessica B. Magee
Texas Bar No. [redacted]

Jonathan P. Scott
DC Bar No. [redacted]

United States Securities and Exchange Commission
Burnett Plaza, Suite 1900
801 Cherry Street, Unit 18
Fort Worth, Texas 76102
Telephone: (817) 978-5036 (Evans)
Fax: (817) 978-4927
evanstim@sec.gov

ATTORNEYS FOR PLAINTIFF

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

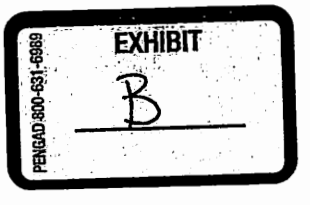
SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. DUNCAN J. MACDONALD, III and GLORIA SOLOMON, Defendants,	§	Case No.: 3:13-cv-02275-M

AGREED PARTIAL JUDGMENT
AS TO DEFENDANT DUNCAN J. MACDONALD, III

The Securities and Exchange Commission having filed a Complaint and Defendant Duncan J. MacDonald, III ("Defendant") having entered a general appearance; consented to the Court's jurisdiction over Defendant and the subject matter of this action; consented to entry of this Judgment; waived findings of fact and conclusions of law; and waived any right to appeal from this Judgment:

I.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Judgment by personal service or otherwise are permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or



instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

(a) to employ any device, scheme, or artifice to defraud;

(b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

(c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

II.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77q(a)] in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly:

(a) to employ any device, scheme, or artifice to defraud;

(b) to obtain money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) to engage in any transaction, practice, or course of business which operates or

would operate as a fraud or deceit upon the purchaser.

III.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 5 of the Securities Act [15 U.S.C. § 77e] by, directly or indirectly, in the absence of any applicable exemption:

(a) Unless a registration statement is in effect as to a security, making use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell such security through the use or medium of any prospectus or otherwise;

(b) Unless a registration statement is in effect as to a security, carrying or causing to be carried through the mails or in interstate commerce, by any means or instruments of transportation, any such security for the purpose of sale or for delivery after sale; or

(c) Making use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise any security, unless a registration statement has been filed with the Commission as to such security, or while the registration statement is the subject of a refusal order or stop order or (prior to the effective date of the registration statement) any public proceeding or examination under Section 8 of the Securities Act [15 U.S.C. § 77h].

IV.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Judgment by personal service or otherwise are permanently restrained and enjoined from violating Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)] by, directly or indirectly, making use of the mails or any means or instrumentality of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of securities other than an exempted security or commercial paper, bankers' acceptances, or commercial bills without being registered as a broker or dealer with the Commission, or being associated with a broker or dealer registered with the Commission.

V.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant and Defendant's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Judgment by personal service or otherwise are permanently restrained and enjoined from directly or indirectly soliciting or accepting funds from any person or entity for any unregistered offering of securities.

VI.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant shall pay disgorgement of ill-gotten gains, prejudgment interest thereon, and a civil penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]. The Court shall determine the amounts of the disgorgement and civil penalty upon motion of the Commission. Prejudgment interest shall be

calculated from June 11, 2010, based on the rate of interest used by the Internal Revenue Service for the underpayment of federal income tax as set forth in 26 U.S.C. § 6621(a)(2). In connection with the Commission's motion for disgorgement and/or civil penalties, and at any hearing held on such a motion: (a) Defendant will be precluded from arguing that he did not violate the federal securities laws as alleged in the Complaint; (b) Defendant may not challenge the validity of the Consent or this Judgment; (c) solely for the purposes of such motion, the allegations of the Complaint shall be accepted as and deemed true by the Court; and (d) the Court may determine the issues raised in the motion on the basis of affidavits, declarations, excerpts of sworn deposition or investigative testimony, and documentary evidence, without regard to the standards for summary judgment contained in Rule 56(c) of the Federal Rules of Civil Procedure. In connection with the Commission's motion for disgorgement and/or civil penalties, the parties may take discovery, including discovery from appropriate non-parties.

VII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the Consent is incorporated herein with the same force and effect as if fully set forth herein, and that Defendant shall comply with all of the undertakings and agreements set forth therein.

VIII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Judgment.

IX.

There being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the Clerk is ordered to enter this Judgment forthwith and without further notice.

Dated: 8/8, 2013

UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

UNITED STATES OF AMERICA	§	
	§	No.
v.	§	
	§	3-13CR-220-L
DUNCAN MACDONALD III	§	

INFORMATION

The United States Attorney Charges:

Count One
Conspiracy to Commit Wire Fraud
(Violation of 18 U.S.C. § 371 (18 U.S.C. § 1343))

Introduction

1. **Duncan MacDonald III** formed Global Corporate Alliance, Inc. (GCA), a for-profit corporation, in 2006. He served as President and Director of GCA. Between 2006 and 2012, GCA operated out of offices in Addison and Euless, Texas.

2. GCA managed the North American Consumer Alliance (NACA), a not-for-profit member association that created and packaged insured benefit association healthcare programs and policies administered to corporations, organizations, and other entities. Being a member of NACA allowed for group insurance rates and guaranteed acceptance by insurance providers.

3. GCA sold the healthcare policies throughout the United States. The difference between the retail price charged to the buyers of these policies and the wholesale price that GCA paid to the insurance carriers was to be the profit.

4. Due to the nature of GCA's affiliation with NACA in which they are managing a not-for-profit organization that administers healthcare insurance under a group master policy, GCA maintained a conservative management fee. It also collected fees called "Overages" that were in excess of the conservative management fee.

5. From 2008 to 2012, GCA operated an "Overage Program" to sell interests in the overages through "Overage Purchase Agreements." This Overage Program was marketed to potential investors throughout the United States. The potential return to the investor was directly related to the number of people who enrolled in a healthcare plan by purchasing a healthcare policy from GCA. Under the terms of the agreements, GCA would pay the investor for every new person who enrolled in a healthcare plan. The investors were promised payments on a per enrollee basis, every month, for the life of the enrollee (up to one million people or the number of people who enrolled within five years, whichever came first).

The Conspiracy and its Objects

6. Starting at least as early as 2008, if not earlier, and continuing through at least September 2012, the exact dates being unknown to the United States Attorney, in the Dallas Division of the Northern District of Texas and elsewhere, defendant MacDonald and a coconspirator known to the United States Attorney, did knowingly and willfully combine, conspire, confederate, and agree with each other to commit the offense of wire fraud, in violation of 18 U.S.C. § 1343, by making materially false and fraudulent representations to individuals in connection with sales of the Overage Program.

7. The object of the conspiracy was to cause persons, by means of materially false and fraudulent representations, to send funds by use of interstate wire communications facilities to a bank account in the name of and under the control of GCA, and to use a portion of those funds for purposes different than those represented to investors.

Manner and Means of the Conspiracy

8. It was part of the conspiracy that one or more of the conspirators:

a. Misrepresented to investors the Overage Program's current performance by falsely and significantly inflating the number of current healthcare plan enrollments acquired through the sales of its healthcare policies.

b. Misrepresented to investors the Overage Program's projected performance by falsely and significantly inflating the number of projected future healthcare plan enrollments acquired through the sales of its healthcare policies.

c. Distributed to a GCA Overage Program sales agent falsified figures for current and projected healthcare plan enrollments knowing that the sales agent provided and would continue to provide this false information to potential investors, and that the investors relied on the false information in deciding to invest in the Overage Program.

d. Made or authorized to be made payments to existing investors not from revenue or income generated by the Overage Program, but rather from money that GCA received from other new investors in the Overage Program in order to avoid

detection of the conspiracy and to encourage further investments by new and existing investors.

e. Provided false information to current investors to avoid detection of the conspiracy by hiding the true performance of the Overage Program, the Program's lack of revenue, and the true source of the Program's payments to investors.

Overt Acts

In furtherance of the conspiracy and its objects defendant Duncan MacDonald III and a coconspirator committed the following overt acts, among others in the Dallas Division of the Northern District of Texas, and elsewhere:

9. From in or about August 2011 through December 2011, MacDonald and a coconspirator communicated with M.L.M., a person known to the U.S. Attorney, in person and via telephone, email, and text messages regarding his potential investment in the Overage Program. During these discussions MacDonald and a coconspirator misrepresented to M.L.M. the Overage Program's performance by significantly inflating the number of current and projected healthcare policy enrollments.

10. On or about September 3, 2011, MacDonald authorized a coconspirator to execute an Overage Purchase Agreement with M.L.M. to invest $1,000,000 in the Overage Program via wire transfer to GCA's JP Morgan Chase Bank account number xxxxx3112.

11. On or about September 6, 2011, MacDonald and a coconspirator authorized a payment to N.C., an existing Overage Program investor known to the U.S. Attorney, in

the amount of $2,764.45 via wire transfer from GCA's JP Morgan Chase Bank account number xxxxx3112.

12. On or about June 7, 2012, MacDonald authorized a coconspirator to send M.L.M. an email from the email account of a fictitious GCA employee, Allison Meadows, with MacDonald also being a recipient, stating false information regarding pending payments on M.L.M.'s investment. It also stated false information about significant numbers of new healthcare policy enrollments that did not exist.

All in violation of 18 U.S.C. § 371 (18 U.S.C. § 1343).

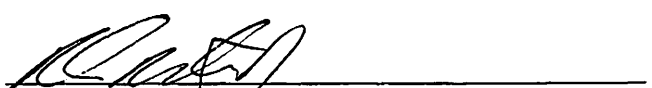
-- NOTHING FURTHER ON THIS PAGE --

Notice of Forfeiture
(18 U.S.C. §§ 981(a)(1)(c) and 28 U.S.C. § 2461(c))

Upon conviction for the offense alleged in Count One of this Information, defendant **Duncan MacDonald III** shall forfeit to the United States any property, real or personal, constituting or derived from proceeds traceable to the respective offense, pursuant to 18 U.S.C. § 981(a)(1)(c) and 28 U.S.C. § 2461(c).

Pursuant to 21 U.S.C. § 853(p), as incorporated by 18 U.S.C. § 982(b)(1) and 28 U.S.C. § 2461(c), if any of the above property subject to forfeiture, as a result of any act or omission of the defendant, cannot be located upon the exercise of due diligence; has been transferred or sold to, or deposited with, a third person; has been placed beyond the jurisdiction of the Court; has been substantially diminished in value; or has been commingled with other property that cannot be subdivided without difficulty, it is the intent of the United States of America to seek forfeiture of any other property of the defendant up to the value of the above described property subject to forfeiture.

SARAH R. SALDAÑA
UNITED STATES ATTORNEY



RUBEN MARTINEZ, JR.
Special Assistant United States Attorney
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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

UNITED STATES OF AMERICA,	§	
Plaintiff,	§	
VS.	§	**CASE NO.: 3:13-CR-220-B (01)**
	§	
	§	
DUNCAN MACDONALD,	§	
Defendant.	§	

REPORT AND RECOMMENDATION
CONCERNING PLEA OF GUILTY

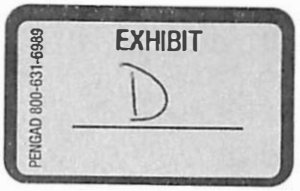
DUNCAN MACDONALD, by consent, under authority of United States v. Dees, 125 F.3d 261 (5th Cir. 1997), has appeared before me pursuant to Fed. R. Crim.P. 11, and has entered a plea of guilty to Count(s) 1 of the Indictment. After cautioning and examining the defendant under oath concerning each of the subjects mentioned in Rule 11, I determined that the guilty plea was knowledgeable and voluntary and that the offense(s) charged is supported by an independent basis in fact containing each of the essential elements of such offense. I therefore recommend that the plea of guilty be accepted, and that Defendant be adjudged guilty and have sentence imposed accordingly.

Date: July 9, 2013

RENEE HARRIS TOLIVER
UNITED STATES MAGISTRATE JUDGE

NOTICE

Failure to file written objections to this Report and Recommendation within ten (14) days from the date of its service shall bar an aggrieved party from attacking such Report and Recommendation before the assigned United States District Judge. 28 U.S.C. §636(b)(1)(B).



UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS DALLAS DIVISION

UNITED STATES OF AMERICA

v.

DUNCAN MACDONALD III

AMENDEDJUDGMENT IN A CRIMINAL CASE

Case Number: 3:13-CR-220-B(1)
USM Number: 46632-177

John M Nicholson
Defendant's Attorney

THE DEFENDANT:

☐	pleaded guilty to count(s)	
☒	pleaded guilty to count(s) before a U.S. Magistrate Judge, which was accepted by the court.	**Count 1 of the Information filed on June 13, 2013.**
☐	pleaded nolo contendere to count(s) which was accepted by the court	
☐	was found guilty on count(s) after a plea of not guilty	

The defendant is adjudicated guilty of these offenses:

Title & Section / Nature of Offense	Offense Ended	Count
18:371 (18:1343) Conspiracy To Commit Wire Fraud	09/30/2012	1

The defendant is sentenced as provided in pages 2 through 12 of this judgment. The sentence is imposed pursuant to the Sentencing Reform Act of 1984.

☐ The defendant has been found not guilty on count(s)

☐ Count(s) ☐ is ☐ are dismissed on the motion of the United States

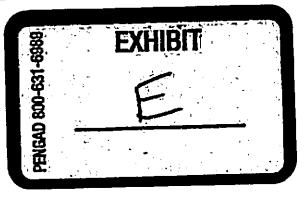
It is ordered that the defendant must notify the United States attorney for this district within 30 days of any change of name, residence, or mailing address until all fines, restitution, costs, and special assessments imposed by this judgment are fully paid. If ordered to pay restitution, the defendant must notify the court and United States attorney of material changes in economic circumstances.

7/4/2014
Date of Imposition of Judgment

Signature of Judge

JANE J. BOYLE, UNITED STATES DISTRICT JUDGE
Name and Title of Judge

July 3, 2014
Date



DEFENDANT: DUNCAN MACDONALD III
CASE NUMBER: 3:13-CR-220-B(1)

IMPRISONMENT

The defendant is hereby committed to the custody of the United States Bureau of Prisons to be imprisoned for a total term of:

SIXTY (60) months as to count 1.

☐ The court makes the following recommendations to the Bureau of Prisons:

☒ The defendant is remanded to the custody of the United States Marshal.

☐ The defendant shall surrender to the United States Marshal for this district:

☐ at ☐ a.m. ☐ p.m. on

☐ as notified by the United States Marshal.

☐ The defendant shall surrender for service of sentence at the institution designated by the Bureau of Prisons:

☐ before

☐ as notified by the United States Marshal.

☐ as notified by the Probation or Pretrial Services Office.

RETURN

I have executed this judgment as follows:

Defendant delivered on _____ to

at _____, with a certified copy of this judgment.

UNITED STATES MARSHAL

By
DEPUTY UNITED STATES MARSHAL

DEFENDANT: DUNCAN MACDONALD III
CASE NUMBER: 3:13-CR-220-B(1)

SUPERVISED RELEASE

Upon release from imprisonment, the defendant shall be on supervised release for a term of: **THREE (3) years.**

The defendant must report to the probation office in the district to which the defendant is released within 72 hours of release from the custody of the Bureau of Prisons.

The defendant shall not commit another federal, state or local crime.

The defendant shall not unlawfully possess a controlled substance. The defendant shall refrain from any unlawful use of a controlled substance. The defendant shall submit to one drug test within 15 days of release from imprisonment and at least two periodic drug tests thereafter, as determined by the court.

- ☐ The above drug testing condition is suspended, based on the court's determination that the defendant poses a low risk of future substance abuse. *(Check, if applicable.)*
- ☒ The defendant shall not possess a firearm, ammunition, destructive device, or any other dangerous weapon. *(Check, if applicable.)*
- ☒ The defendant shall cooperate in the collection of DNA as directed by the probation officer. *(Check, if applicable.)*
- ☐ The defendant shall comply with the requirements of the Sex Offender Registration and Notification Act (42 U.S.C. § 16901, *et seq.*) as directed by the probation officer, the Bureau of Prisons, or any state sex offender registration agency in which he or she resides, works, is a student, or was convicted of a qualifying offense. *(Check, if applicable.)*
- ☐ The defendant shall participate in an approved program for domestic violence. *(Check, if applicable.)*

If this judgment imposes a fine or restitution, it is a condition of supervised release that the defendant pay in accordance with the Schedule of Payments sheet of this judgment.

The defendant must comply with the standard conditions that have been adopted by this court as well as with any additional conditions on the attached page.

STANDARD CONDITIONS OF SUPERVISION

1. the defendant shall not leave the judicial district without the permission of the court or probation officer;
2. the defendant shall report to the probation officer in a manner and frequency directed by the court or probation officer;
3. the defendant shall answer truthfully all inquiries by the probation officer and follow the instructions of the probation officer;
4. the defendant shall support his or her dependents and meet other family responsibilities;
5. the defendant shall work regularly at a lawful occupation, unless excused by the probation officer for schooling, training, or other acceptable reasons;
6. the defendant shall notify the probation officer at least ten days prior to any change in residence or employment;
7. the defendant shall refrain from excessive use of alcohol and shall not purchase, possess, use, distribute, or administer any controlled substance or any paraphernalia related to any controlled substances, except as prescribed by a physician;
8. the defendant shall not frequent places where controlled substances are illegally sold, used, distributed, or administered;
9. the defendant shall not associate with any persons engaged in criminal activity and shall not associate with any person convicted of a felony, unless granted permission to do so by the probation officer;
10. the defendant shall permit a probation officer to visit him or her at any time at home or elsewhere and shall permit confiscation of any contraband observed in plain view of the probation officer;
11. the defendant shall notify the probation officer within seventy-two hours of being arrested or questioned by a law enforcement officer;
12. the defendant shall not enter into any agreement to act as an informer or a special agent of a law enforcement agency without the permission of the court; and
13. as directed by the probation officer, the defendant shall notify third parties of risks that may be occasioned by the defendant's criminal record or personal history or characteristics and shall permit the probation officer to make such notifications and to confirm the defendant's compliance with such notification requirement.

DEFENDANT: DUNCAN MACDONALD III
CASE NUMBER: 3:13-CR-220-B(1)

SPECIAL CONDITIONS OF SUPERVISION

Pursuant to the Mandatory Victims Restitution Act of 1996, the defendant is ordered to pay restitution in the amount of 8,808,897.00 joint and several with Gloria Ann Solomon, Case No. 3:13-CR-219-B(01), payable to the U.S. District Clerk, 1100 Commerce Street, Room 1452, Dallas, Texas 75242. Restitution shall be payable immediately and any unpaid balance shall be payable during incarceration. Restitution shall be disbursed to:

See V-1 of 1 attached

If upon commencement of the term of supervised release any part of the restitution remains unpaid, the defendant shall make payments on such unpaid balance in monthly installments of not less than 10 percent of the defendant's gross monthly income, or at a rate of not less than $50 per month, whichever is greater. Payment shall begin no later than 60 days after the defendant's release from confinement and shall continue each month thereafter until the balance is paid in full. In addition, at least 50 percent of the receipts received from gifts, tax returns, inheritances, bonuses, lawsuit awards, and any other receipt of money shall be paid toward the unpaid balance within 15 days of receipt. This payment plan shall not affect the ability of the United States to immediately collect payment in full through garnishment, the Treasury Offset Program, the Inmate Financial Responsibility Program, the Federal Debt Collection Procedures Act of 1990 or any other means available under federal or state law. Furthermore, it is ordered that interest on the unpaid balance is waived pursuant to 18 U.S.C. § 3612(f)(3). (NOINTR)

It is ordered that upon release from imprisonment, the defendant shall be placed on supervised release for a term of 3 years. It is further ordered that upon release from imprisonment, the defendant shall comply with the standard conditions contained in this Judgment and shall comply with the mandatory and special conditions stated herein:

1. The defendant shall not commit another federal, state, or local crime.

2. The defendant shall not illegally possess controlled substances.

3. The defendant shall cooperate in the collection of DNA as directed by the probation officer.

4. The defendant shall not possess a firearm, ammunition, destructive device, or any dangerous weapon.

5. The defendant shall report in person to the U.S. Probation Office in the district to which the defendant is released from the custody of the Federal Bureau of Prisons within 72 hours of release.

6. The defendant shall refrain from any unlawful use of a controlled substance. The defendant shall submit to one drug test within 15 days of release from imprisonment and at least two periodic drug tests thereafter, as directed by the probation officer.

7. The defendant shall participate in mental health treatment services as directed by the probation officer until successfully discharged. These services may include medications prescribed by a licensed physician. The defendant shall contribute to the costs of services rendered (copayment) at a rate of at least $25 per month.

8. The defendant shall not incur new credit charges or open additional lines of credit, either as a principal or cosigner or through any corporate entity, without approval of the probation officer.

DEFENDANT: DUNCAN MACDONALD III
CASE NUMBER: 3:13-CR-220-B(1)

9. The defendant shall cooperate with the IRS, file all outstanding tax returns, and comply with any IRS requirements to pay delinquent taxes, penalties, and interest according to the schedule of payments that the IRS imposes.

10. The defendant shall provide to the probation officer any requested financial information.

11. The defendant shall pay any remaining balance of restitution in the amount of (8,808,897.00), as set out in this Judgment

12. The defendant shall not transfer, sell, give away, or otherwise convey any asset with a value of $500 or more without the approval of the probation officer.

13. The defendant shall maintain not more than one business and/or one personal checking account, and shall not open, maintain, be a signatory on, or otherwise use any other financial institution account without the prior approval of the probation officer

14. The defendant shall notify the probation officer within 72 hours of acquiring or changing a post office box or other address at which he may receive mail, parcels, or courier delivery, whether personal or business-related.

15. The defendant shall not enter into any self-employment while under supervision without prior approval of the probation officer.

16. The defendant shall not be employed in any fiduciary capacity or any position allowing access to credit or personal financial information of others, unless the defendant's employer is fully aware of the offense of conviction and with the approval of the probation officer.

The defendant shall not be employed by, affiliated with, own or control, or otherwise participate, directly or indirectly, in the business of investments, securities, banking, brokering, or insurance without the probation officer's approval.

DEFENDANT: DUNCAN MACDONALD III
CASE NUMBER: 3:13-CR-220-B(1)

CRIMINAL MONETARY PENALTIES

The defendant must pay the total criminal monetary penalties under the schedule of payments on Sheet 6.

	Assessment	Fine	Restitution
TOTALS	$100.00	$.00	$8,808,897.00

☐ The determination of restitution is deferred for 90 days from the date of this judgment. An *Amended Judgment in a Criminal Case (AO245C)* will be entered after such determination.

The defendant must make restitution (including community restitution) to the following payees in the amount listed below.

If the defendant makes a partial payment, each payee shall receive an approximately proportioned payment. However, pursuant to 18 U.S.C. § 3664(i), all nonfederal victims must be paid before the United States is paid.

☐ Restitution amount ordered pursuant to plea agreement $

☐ The defendant must pay interest on restitution and a fine of more than $2,500, unless the restitution or fine is paid in full before the fifteenth day after the date of the judgment, pursuant to 18 U.S.C. § 3612(f). All of the payment options on Sheet 6 may be subject to penalties for delinquency and default, pursuant to 18 U.S.C. § 3612(g).

☒ The court determined that the defendant does not have the ability to pay interest and it is ordered that:

- ☒ the interest requirement is waived for the ☐ fine ☒ restitution
- ☐ the interest requirement for the ☐ fine ☐ restitution is modified as follows:

* Findings for the total amount of losses are required under Chapters 109A, 110, 110A, and 113A of Title 18 for offenses committed on or after September 13, 1994, but before April 23, 1996.

DEFENDANT: DUNCAN MACDONALD III
CASE NUMBER: 3:13-CR-220-B(1)

SCHEDULE OF PAYMENTS

Having assessed the defendant's ability to pay, payment of the total criminal monetary penalties is due as follows:

A ☐ Lump sum payments of $ _____ due immediately, balance due

☐ not later than , or

☐ in accordance ☐ C, ☐ D, ☐ E, or ☐ F below; or

B ☐ Payment to begin immediately (may be combined with ☐ C, ☐ D, or ☐ F below); or

C ☒ Payment in equal monthly *(e.g., weekly, monthly, quarterly)* installments of $ 50.00 over a period of years *(e.g., months or years)*, to commence 60 *(e.g., 30 or 60 days)* after the date of this judgment; or

D ☐ Payment in equal 20 *(e.g., weekly, monthly, quarterly)* installments of $ _____ over a period of _____ *(e.g., months or years)*, to commence _____ *(e.g., 30 or 60 days)* after release from imprisonment to a term of supervision; or

E ☐ Payment during the term of supervised release will commence within _____ *(e.g., 30 or 60 days)* after release from imprisonment. The court will set the payment plan based on an assessment of the defendant's ability to pay at that time; or

F ☒ Special instructions regarding the payment of criminal monetary penalties:
It is ordered that the Defendant shall pay to the United States a special assessment of $100.00 for Count 1 which shall be due immediately. Said special assessment shall be paid to the Clerk, U.S. District Court.

Unless the court has expressly ordered otherwise, if this judgment imposes imprisonment, payment of criminal monetary penalties is due during imprisonment. All criminal monetary penalties, except those payments made through the Federal Bureau of Prisons' Inmate Financial Responsibility Program, are made to the clerk of the court.

The defendant shall receive credit for all payments previously made toward any criminal monetary penalties imposed.

☒ Joint and Several
See above for Defendant and Co-Defendant Names and Case Numbers *(including defendant number)*, Total Amount, Joint and Several Amount, and corresponding payee, if appropriate.

Gloria Ann Solomon, Case No. 3:13-CR-219-B(01)

☐ Defendant shall receive credit on his restitution obligation for recovery from other defendants who contributed to the same loss that gave rise to defendant's restitution obligation.

☐ The defendant shall pay the cost of prosecution.

☐ The defendant shall pay the following court cost(s):

☐ The defendant shall forfeit the defendant's interest in the following property to the United States:

Payments shall be applied in the following order: (1) assessment, (2) restitution principal, (3) restitution interest, (4) fine principal, (5) fine interest, (6) community restitution, (7) penalties, and (8) costs, including cost of prosecution and court costs.

V - 1 of 1

3:13-cr-00220 - USA v. MacDonald III (1)

Ryan Andersen
Amount: $103,959.00

John Bell
Amount: $100,000.00

Pamela Bennison
Amount: $180,000.00

Charlie Blankinship
Amount: $3,784.00

David E. Brooks
Amount: $100,000.00

Nancy Campbell
Amount: $310,777.00

Lois Christensen
Amount: $23,892.00

Lydia Chao
Amount: $244,342.00

Bruce Coe
Amount: $208,867.00

Adam Coe
Amount: $148,178.00

Jim Denesen
Amount: $60,845.00

Kevin Denesen
Amount: $122,639.00

Ivan Ekhaus
Amount: $188,019.00

Cheri Ellstrom
Amount: $382,185.00

Marcy Faiman
Amount: $237,093.00

Robert Fitzstephens
Amount: $200,000.00

Rod Garnas
Amount: $8,375.00

Lea Georgas
Amount: $30,000.00

Janice Gillmore
Amount: $58,980.00

John Hedrick
Amount: $100,000.00

Roger Herrell
Amount: $3,592.00

Mike Hines
Amount: $73,418.00

Mark Hockman
Amount: $497,975.00

Jordan Johnson
Amount: $50,000.00

Rollie Johnson
Amount: $66,956.00

Rob Johnson
Amount: $66,956.00

Sheila Kai
Amount: $273,883.00

Steven Kelly
Amount: $100,000.00

Deysy Klein
Amount: $50,000.00

Jeff Klien
Amount: $114,890.00

Bill Mauerhan, II
Amount: $193,422.00

John McMahon
Amount: $397,232.00

Kevin Meyers
Amount: $7,212.00

Mike Miller
Amount: $1,952,253.00

John Bruce Morrill
Amount: $280,318.00

Linda Olson-Roach
Amount: $76,200.00

Hermant Patel
Amount: $3,003.00

Irv Pyun
Amount: $8,000.00

Shahin Riahi
Amount: $100,000.00

Lee Rufty
Amount: $7,202.00

Robert Russell
Amount: $179,041.00

Diane Schindel
Amount: $122,831.00

Kevin Sferro
Amount: $39,014.00

John Shamp
Amount: $100,000.00

Lynn Stein
Amount: $20,000.00

Dale Thomas
Amount: $641,116.00

Jesus Villegas
Amount: $79,446.00

Jason Wiechert
Amount: $155,377.00

Sandra Deneson
Amount: $60,845.00

Kyle and David Tapley
Amount: $92,883.00

Michael Goldfield
Amount: $100,000.00

Greg Honeck
Amount: $83,897.00

Total restitution: $8,808,897.00

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

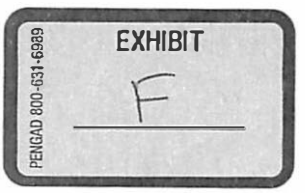
SECURITIES AND EXCHANGE COMMISSION,	§	
	§	
Plaintiff,	§	
	§	
v.	§	**Case No.: 3:13-cv-02275-M**
	§	
DUNCAN J. MACDONALD, III and GLORIA SOLOMON,	§	
	§	
Defendants.	§	
	§	

CONSENT OF DUNCAN MACDONALD

1. Defendant Duncan J. MacDonald, III ("Defendant") waives service of a summons and the complaint in this action, enters a general appearance, and consents to the Court's jurisdiction over Defendant and over the subject matter of this action.

2. Defendant has pleaded guilty to criminal conduct relating to certain matters alleged in the complaint in this action. Specifically, in *United States v. Duncan MacDonald III*, No. 3:13-CR-00220 (N.D. Tex.), Defendant pleaded guilty to one count of Conspiracy to Commit Wire Fraud [18 U.S.C. § 371; 18 U.S.C. § 1343]. In connection with that plea, Defendant admitted the facts that are attached as Exhibit A to this Consent. This Consent shall remain in full force and effect regardless of the existence or outcome of any further proceedings in *United States v. Duncan MacDonald III*.

3. Defendant hereby consents to the entry of the Agreed Partial Judgment in the form attached hereto (the "Judgment") and incorporated by reference herein, which, among other things permanently restrains and enjoins Defendant from:



- violating Sections 5 and 17(a) of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§ 77e, 77q(a)], and Sections 10(b) and 15(a) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78j(b), 78o(a)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]; and
- directly or indirectly soliciting or accepting funds from any person or entity for any unregistered offering of securities.

4. Defendant agrees that the Court shall order disgorgement of ill-gotten gains, prejudgment interest thereon, and a civil penalty pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]. Defendant further agrees that the amounts of the disgorgement and civil penalty shall be determined by the Court upon motion of the Commission, and that prejudgment interest shall be calculated from June 11, 2010, based on the rate of interest used by the Internal Revenue Service for the underpayment of federal income tax as set forth in 26 U.S.C. § 6621(a)(2). Defendant further agrees that in connection with the Commission's motion for disgorgement and/or civil penalties, and at any hearing held on such a motion: (a) Defendant will be precluded from arguing that he did not violate the federal securities laws as alleged in the Complaint; (b) Defendant may not challenge the validity of this Consent or the Judgment; (c) solely for the purposes of such motion, the allegations of the Complaint shall be accepted as and deemed true by the Court; and (d) the Court may determine the issues raised in the motion on the basis of affidavits, declarations, excerpts of sworn deposition or investigative testimony, and documentary evidence, without regard to the standards for summary judgment contained in Rule 56(c) of the Federal Rules of Civil Procedure. In connection with the Commission's motion for

disgorgement and/or civil penalties, the parties may take discovery, including discovery from appropriate non-parties.

5. Defendant waives the entry of findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure.

6. Defendant waives the right, if any, to a jury trial and to appeal from the entry of the Judgment.

7. Defendant enters into this Consent voluntarily and represents that no threats, offers, promises, or inducements of any kind have been made by the Commission or any member, officer, employee, agent, or representative of the Commission to induce Defendant to enter into this Consent.

8. Defendant agrees that this Consent shall be incorporated into the Judgment with the same force and effect as if fully set forth therein.

9. Defendant will not oppose the enforcement of the Judgment on the ground, if any exists, that it fails to comply with Rule 65(d) of the Federal Rules of Civil Procedure, and hereby waives any objection based thereon.

10. Defendant waives service of the Judgment and agrees that entry of the Judgment by the Court and filing with the Clerk of the Court will constitute notice to Defendant of its terms and conditions. Defendant further agrees to provide counsel for the Commission, within thirty days after the Judgment is filed with the Clerk of the Court, with an affidavit or declaration stating that Defendant has received and read a copy of the Judgment.

11. Consistent with 17 C.F.R. 202.5(f), this Consent resolves only the claims asserted against Defendant in this civil proceeding. Defendant acknowledges that no promise or representation has been made by the Commission or any member, officer, employee, agent, or

representative of the Commission with regard to any criminal liability that may have arisen or may arise from the facts underlying this action or immunity from any such criminal liability. Defendant waives any claim of Double Jeopardy based upon the settlement of this proceeding, including the imposition of any remedy or civil penalty herein. Defendant further acknowledges that the Court's entry of a permanent injunction may have collateral consequences under federal or state law and the rules and regulations of self-regulatory organizations, licensing boards, and other regulatory organizations. Such collateral consequences include, but are not limited to, a statutory disqualification with respect to membership or participation in, or association with a member of, a self-regulatory organization. This statutory disqualification has consequences that are separate from any sanction imposed in an administrative proceeding. In addition, in any disciplinary proceeding before the Commission based on the entry of the injunction in this action, Defendant understands that she shall not be permitted to contest the factual allegations of the complaint in this action.

12. Defendant understands and agrees to comply with the terms of 17 C.F.R. § 202.5(e), which provides in part that it is the Commission's policy "not to permit a defendant or respondent to consent to a judgment or order that imposes a sanction while denying the allegations in the complaint or order for proceedings," and "a refusal to admit the allegations is equivalent to a denial, unless the defendant or respondent states that he neither admits nor denies the allegations." In compliance with this policy, Defendant acknowledges the guilty plea for related criminal conduct described in paragraph 2 above and agrees: (i) not to take any action or make or permit to be made any public statement denying, directly or indirectly, any allegation in the complaint or creating the impression that the complaint is without factual basis; (ii) not to make or permit to be made any public statement to the effect that Defendant does not admit the

allegations of the complaint, or that this Consent contains no admission of the allegations, without also stating that Defendant does not deny the allegations; and (iii) that upon the filing of this Consent, Defendant hereby withdraws any papers filed in this action to the extent that they deny any allegation in the complaint. If Defendant breaches this agreement, the Commission may petition the Court to vacate the Judgment and restore this action to its active docket. Nothing in this paragraph affects Defendant's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Commission is not a party.

13. Defendant hereby waives any rights under the Equal Access to Justice Act, the Small Business Regulatory Enforcement Fairness Act of 1996, or any other provision of law to seek from the United States, or any agency, or any official of the United States acting in his or her official capacity, directly or indirectly, reimbursement of attorney's fees or other fees, expenses, or costs expended by Defendant to defend against this action. For these purposes, Defendant agrees that Defendant is not the prevailing party in this action since the parties have reached a good faith settlement.

14. In connection with this action and any related judicial or administrative proceeding or investigation commenced by the Commission or to which the Commission is a party, Defendant (i) agrees to appear and be interviewed by Commission staff at such times and places as the staff requests upon reasonable notice; (ii) will accept service by mail or facsimile transmission of notices or subpoenas issued by the Commission for documents or testimony at depositions, hearings, or trials, or in connection with any related investigation by Commission staff; (iii) appoints Defendant's undersigned attorney as agent to receive service of such notices and subpoenas; (iv) with respect to such notices and subpoenas, waives the territorial limits on

service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules, provided that the party requesting the testimony reimburses Defendant's travel, lodging, and subsistence expenses at the then-prevailing U.S. Government per diem rates; and (v) consents to personal jurisdiction over Defendant in any United States District Court for purposes of enforcing any such subpoena.

15. Defendant agrees that the Commission may present the Judgment to the Court for signature and entry without further notice.

16. Defendant agrees that this Court shall retain jurisdiction over this matter for the purpose of enforcing the terms of the Judgment.

Dated: 7-10-13

Duncan MacDonald

On July 10th, 2013, Duncan MacDonald, a person known to me, personally appeared before me and acknowledged executing the foregoing Consent.

Pedro Jose Bermudez NOTARY PUBLIC STATE OF TEXAS EXPIRES 11-08-13

Notary Public
Commission expires: 11-08-13

Approved as to form:

Attorney for Defendant
Name:
Address:
Number:

EXHIBIT A

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

UNITED STATES OF AMERICA	§	
	§	
v.	§	No.
	§	
DUNCAN MACDONALD III	§	

3-13CR-220-L

FACTUAL RESUME

Defendant Duncan MacDonald III, the defendant's attorney John M. Nicholson, and the United States of America (the government), agree that the following accurately states the elements of the offense and the facts relevant to the offense to which the defendant is pleading guilty:

ELEMENTS OF THE OFFENSE

For the defendant to be guilty of Conspiracy to Commit Wire Fraud in violation of 18 U.S.C. § 371 (18 U.S.C. § 1343) as alleged in the Information, the United States must prove each of the following beyond a reasonable doubt:

First: That the defendant and at least one other person made an agreement to commit the crime of wire fraud as charged in the Information (see elements below);

Second: That the defendant knew the unlawful purpose of the agreement and joined in it willfully, that is, with the intent to further the unlawful purpose; and,

Third: That one of the conspirators during the existence of the conspiracy knowingly committed at least one of the overt acts described in the Information, in order to accomplish some object or purpose of the

conspiracy.

The essential elements of a violation of 18 U.S.C. § 1343 are as follows:

First: A defendant knowingly created a scheme to defraud, that is to obtain money from investors intending to use a portion of the money for purposes different than those represented to investors;

Second: A defendant acted with a specific intent to defraud,

Third: A defendant used interstate wire communications facilities or caused another to use interstate wire communications facilities for the purpose of carrying out the scheme; and

Fourth: The scheme to defraud employed false material representations.

STIPULATED FACTS

From approximately 2006 and continuing into at least September 2012, Duncan MacDonald III was President and Director of Global Corporate Alliance, Inc. (GCA). MacDonald operated GCA out of offices in Addison and Euless, Texas, located in the Northern District of Texas. MacDonald hired coconspirator Gloria Ann Solomon in January 2007 as GCA's Chief Administrative Officer.

On or about October 28, 2011, MacDonald authorized Solomon to open account number xxxxx7935, in the name of Global Corporate Alliance, Inc. at JP Morgan Chase Bank. In addition, GCA held account number xxxxx3112, also in the name of Global Corporate Alliance, Inc., at JP Morgan Chase Bank. Solomon was a signer on both of these GCA accounts.

GCA managed the North American Consumer Alliance (NACA), a not-for-profit member association that created and packaged insured benefit association healthcare programs and policies administered to corporations, organizations, and other entities. GCA sold the healthcare policies throughout the United States and maintained a conservative management fee. It collected fees called "Overages" that were in excess of the conservative management fee.

In 2008 MacDonald created GCA's "Overage Program" to sell interests in the overages through "Overage Purchase Agreements." The potential return to the investor was directly related to the number of people who enrolled in a healthcare plan by purchasing a healthcare policy from GCA. GCA would pay the investor for every new person who enrolled in a healthcare plan. These payments would be on a per enrollee basis, every month, for the life of the enrollee (up to one million people or the number of people who enrolled within five years, whichever came first). MacDonald installed Solomon as manager of the program.

MacDonald initially planned to have only a single person invest in the Overage Program. But when a single investor could not be found, GCA "fractionalized" the program to make it available for multiple investors to provide smaller amounts of funds. GCA contracted with a sales agent who would solicit individuals to invest in the Overage Program on this fractionalized basis. The agent began soliciting potential investors with information provided by MacDonald and Solomon regarding the Overage Program,

including the number of current and projected healthcare plan enrollees that would drive the potential return to investors.

MacDonald admits that he significantly inflated the current and projected enrollment figures by the thousands in an attempt to sell the Overage Program to potential investors. He and Solomon were aware that these enrollment figures were false. He and Solomon provided the sales agent with the false enrollment figures knowing that the agent would relay the figures to individuals whom he was soliciting to become investors in the Overage Program.

MacDonald also personally acquired investors for the Overage Program. From in or about August 2011 through December 2011, MacDonald and Solomon communicated with M.L.M., a person known to the U.S. Attorney, regarding his potential investment in the Overage Program. MacDonald admits that he made false statements to M.L.M. regarding the number of healthcare plan enrollees in an effort to persuade him to invest in the Overage Program.

On or about September 3, 2011, MacDonald authorized Solomon to execute an Overage Purchase Agreement with M.L.M. to invest $1,000,000 in the Overage Program via a wire transfer that traveled from Sioux Falls, South Dakota, to GCA's JP Morgan Chase Bank account number xxxxx3112 in Addison, Texas. On or about September 6, 2011, MacDonald and Solomon authorized a payment to N.C., an existing Overage Program investor known to the U.S. Attorney, in the amount of $2,764.45 via wire

transfer from GCA's JP Morgan Chase Bank account number xxxxx3112, derived mostly, if not all, from M.L.M.'s $1,000,000 deposit.

Furthermore, on or about December 22, 2011, MacDonald authorized Solomon to execute an Overage Purchase Agreement with M.L.M. to invest an additional $1,000,000 in the Overage Program via a wire transfer that traveled from Sioux Falls, South Dakota, to GCA's JP Morgan Chase Bank account number xxxxx7935 in Euless, Texas. On or about December 28, 2011, MacDonald and Solomon authorized a payment to W.M., an existing Overage Program investor known to the U.S. Attorney, in the amount of $3,009.20 via wire transfer from GCA's JP Morgan Chase Bank account number xxxxx7935, derived mostly, if not all, from M.L.M.'s $1,000,000 deposit.

GCA had difficulty making timely payments to Overage Program investors. MacDonald admits that he authorized Solomon to respond to investor complaints and inquiries with excuses for the delayed payments. Solomon sent these emails from accounts created for fictitious GCA employees named Sandra Simpson and Allison Meadows. MacDonald admits that Simpson and Meadows did not exist. Moreover, on or about June 7, 2012, MacDonald authorized Solomon to send Overage Program investor M.L.M. an email from the account of Allison Meadows, which MacDonald also received. The email falsely stated that money soon would be deposited into M.L.M.'s account based on new healthcare plan enrollments that GCA acquired. MacDonald admits that these enrollment figures were false and significantly inflated.

MacDonald admits that the Overage Program did not generate any income or revenue. Less than fifty people actually bought any healthcare policies during the lifetime of the program. He further admits that any payments made to existing investors came from money that GCA received from new investors in the program.

MacDonald admits that from at least as early as 2008, if not earlier, and continuing through at least September 2012, the exact dates being unknown to the United States Attorney, in the Dallas Division of the Northern District of Texas and elsewhere, he and Solomon did knowingly and willfully combine, conspire, confederate, and agree with each other to commit the offense of wire fraud, in violation of 18 U.S.C. § 1343, by making materially false and fraudulent representations to individuals in connection with sales of the Overage Program.

AGREED TO AND SIGNED this 10th day of June, 2013.

SARAH R. SALDAÑA
UNITED STATES ATTORNEY

DUNCAN MACDONALD III
Defendant

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