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,

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