

Gregory L. Crabtree (“Crabtree”), and his business partner, James M. Donnan, III (“Donnan”). The case also seeks to recover unjust enrichment from two of Donnan’s children, Tammy L. Donnan (“Tammy Donnan”) and Jeffrey “Todd” Donnan (“Todd Donnan”), and Donnan’s son-in-law, Gregory K. Johnson (“Johnson”) (collectively, the “Donnan Children” or “Relief Defendants”). Their unjust enrichment was derived from Donnan’s and Crabtree’s Ponzi scheme.

2. Donnan is a College Football Hall of Fame inductee and recent ESPN sports commentator who previously was the head football coach at Marshall University and the University of Georgia.

3. Between at least August 2007 and mid-October 2010, Donnan and Crabtree offered and sold high-yielding, short-term (2-12 months) investments in GLC that promised annualized effective rates of return ranging from 50% to 380%, paid to investors in monthly or quarterly installments or in a single one-time payment.

4. Donnan and Crabtree raised a total of approximately \$80 million from ninety-seven investors.

5. In offering and selling GLC investments, Donnan and Crabtree represented that GLC was in the wholesale liquidation business, buying lots of leftover,

discontinued, damaged, or returned merchandise from major retailers and then reselling those lots at a substantial profit to discount retailers or other liquidators.

6. Donnan recruited the majority of the investors. Many of the individuals Donnan approached were contacts he made as a sports commentator and former college football coach. These included former players and other coaches.

7. In some instances involving former players, Donnan used his influence to convince them to invest. For example, when approaching a former player that Donnan had coached, Donnan told him “Your Daddy is going to take care of you” and “if you weren’t my son, I wouldn’t be doing this for you.” That player later invested \$800,000.

8. Donnan touted GLC’s success and profitability and told investors that, if GLC had more capital, it could participate in more “deals,” *i.e.*, the purchase and resale to third parties of specific lots of merchandise by GLC. In soliciting investors, Donnan offered investors the opportunity to provide the needed capital for specific “deals” and represented that investors would be paid their promised return from GLC’s profits from the deal.

9. In nearly every instance, Donnan assured investors that their funds would be used only to purchase specific merchandise and that the merchandise had already been “presold” so that there was little or no risk to investing in any deal.

10. Donnan also typically assured investors that he was investing along with them in any deal that he offered, and he touted that he and other prominent college football coaches had successfully and profitably invested in GLC.

11. In fact, the investment program was a Ponzi scheme. Of the roughly \$80 million raised from investors, only about \$12 million was used to purchase merchandise and much of this merchandise was left unsold and abandoned in warehouses in West Virginia and Ohio.

12. The remainder, or approximately \$68 million, was used to pay fake returns to earlier investors or was misappropriated by Crabtree or Donnan.

13. Donnan, with Crabtree’s knowledge, continued to raise new investor money even after both Defendants clearly knew that GLC could not make the return payments that had been promised.

14. Donnan also directed large sums of investor proceeds to two of his adult children and a son-in law, namely, daughter Tammy Donnan, son Todd Donnan,

and son-in-law Johnson. Each of the Donnan Children invested relatively modest amounts in the scheme and then received regular streams of payments for a substantial duration of the fraud, resulting in unjust enrichment.

VIOLATIONS

15. Defendants Donnan and Crabtree have engaged and, unless restrained and enjoined by this Court, will continue to engage in acts and practices that constitute and will constitute violations of Sections 5(a) and (c) and 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §§77e(a), 77e(c) and 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 thereunder [17 C.F.R. 240.10b-5].

JURISDICTION AND VENUE

16. The Commission brings this action pursuant to Sections 20 and 22 of the Securities Act [15 U.S.C. §§ 77t and 77v] and Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and 78u(e)] to enjoin Defendants Donnan and Crabtree from engaging in the transactions, acts, practices, and courses of business alleged in this complaint and for other relief.

17. This Court has jurisdiction over this action pursuant to Section 22 of the Securities Act [15 U.S.C. § 77v] and Sections 21(d), 21(e), and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

18. Defendants Donnan and Crabtree, directly and indirectly, made use of the mails, the means and instruments of transportation and communication in interstate commerce and the means and instrumentalities of interstate commerce in connection with the transactions, acts, practices, and courses of business alleged in this complaint.

19. Certain of the transactions, acts, practices, and courses of business constituting violations of the Securities Act and the Exchange Act occurred in the Northern District of Georgia. Some of the investors were solicited in this district. Moreover, some of the defrauded investors and at least one of the Relief Defendants reside in the Northern District of Georgia.

20. Defendants Donnan and Crabtree, unless restrained and enjoined by this Court, will continue to engage in the transactions, acts, practices, and courses of business alleged in this complaint, and in transactions, acts, practices, and courses of business of similar purport and object.

THE DEFENDANTS

21. Gregory Crabtree, age 50, of Proctorville, Ohio, was a co-owner and president of GLC from its incorporation in 2004 until February 21, 2011, when he resigned. Crabtree has never held a securities license and has never been associated with any entity registered with the Commission.

22. James Donnan, III, age 67, of Athens, Georgia, was a promoter of investments in GLC from approximately mid-2007 through at least October 12, 2010 when the last known GLC investment was made. He led investors to believe that he was Crabtree's business partner in GLC and/or that he was an officer of GLC. Donnan is a College Football Hall of Fame inductee and recent ESPN sports commentator. He was the head football coach at Marshall University from 1990 to 1995 and the head football coach at the University of Georgia from 1996 to 2000. Donnan has never held a securities license and has never been associated with any entity registered with the Commission.

23. Todd Donnan, age 39, of Athens, Georgia, is Donnan's son. Todd Donnan invested \$232,000 in GLC with a business colleague and thereafter received periodic payments totaling \$620,333.

24. Tammy Donnan, age 49, of Marietta, Georgia, is one of Donnan's two daughters. Tammy Donnan invested \$16,000 in GLC and thereafter received periodic payments totaling \$140,000.

25. Gregory Johnson, age 47, of Oklahoma City, Oklahoma, is married to Donnan's daughter. Johnson invested a total of \$131,000 in GLC directly and through an entity he controls. Thereafter, Johnson, directly or through his controlled entity, received periodic payments totaling \$617,875.

RELEVANT ENTITY

26. GLC Limited, a West Virginia limited liability company formed in 2004 by Crabtree and his wife, has its principal place of business in Proctorville, Ohio. During the course of the fraud, GLC also operated under the name "Global Liquidation Center." On February 28, 2011, after Crabtree resigned, GLC filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Ohio, Cincinnati Division, In Re GLC Limited, Case No. 1:11-bk-11090 (the "GLC bankruptcy"). To date, sixty-one creditors of GLC who claim to have been investors in the scheme have filed claims worth about \$40 million against the Company. GLC has never registered an

offering of securities with the Commission and has never been registered with the Commission in any capacity.

THE GLC INVESTMENT SCHEME

27. Crabtree formed GLC in 2004 and began buying and selling liquidated, damaged, or returned merchandise.

28. In mid-2007, Crabtree began offering others the opportunity to fund specific “deals,” *i.e.*, the purchase and resale of specific lots of merchandise that Crabtree found at auctions or through liquidators, with the promise of sharing the profits from the resale with the individuals who had funded the “deal.”

29. Between approximately August 2007 and mid-October 2010, GLC offered and sold approximately \$80 million of investments in GLC deals to ninety-seven investors, purportedly based on Crabtree’s efforts to buy and resell lots of liquidated, damaged or returned merchandise.

30. At least thirty-five investors obtained written agreements or other documents memorializing their investments. Most of those contracts were provided by GLC, but in a few instances, the contracts were drafted by the investors themselves. Other investors did not have a written contract with GLC.

31. The written agreements provided by GLC were typically short (one or two paragraphs) and appeared on a single page with letterhead bearing the name “Global Liquidation Center.”

32. Although the wording of the contracts provided by GLC varied slightly from investor to investor, the agreements typically described the amount of money invested, the length of time of the investment, the promised return on investment, and the date by which the principal was to be returned. In several agreements, GLC represented that it had completed “several liquidation and overstock deals” and had been “moving all types of seasonal merchandise.”

33. Crabtree typically signed the agreements that GLC provided to investors and his signature typically appeared over a signature block that simply read, “Greg Crabtree,” and the date but without any title or other description of his position with the Company.

34. The agreements drafted by investors were typically longer than the agreement drafted by GLC, and were signed by Donnan. On at least one of these agreements, Donnan is described in the signature block as “CEO” of “GLC, Inc. d/b/a GLC Discount.” On another agreement, Donnan signed “Jim Donnan, GLC” over a

signature block that identified him as “Borrower.” Both of these agreements state that the money was to be used “to purchase salvage inventories consistent with the operation of [the] entities” identified above.

35. Crabtree opened GLC bank accounts, accepted the majority of investor funds, and deposited those funds into GLC bank accounts. He was a signatory on all of the GLC bank and investment accounts and signed the majority of checks or authorized the wire transfers to pay the investors from these accounts.

36. Donnan told investors where to wire their funds, kept track of who invested what amounts for what deals, and instructed Crabtree and Crabtree’s administrative assistant when, how much, and to whom investor payments should be made.

37. In some instances, Crabtree gave Donnan blank GLC checks that Crabtree had signed. Donnan periodically filled in the amount and the investor’s name on these checks and hand delivered the check to the investor.

DONNAN’S ORAL MISREPRESENTATIONS TO INVESTORS

38. In or about July 2007, Donnan funded a GLC deal to buy and resell appliances. Donnan thereafter began soliciting other investors for GLC deals and ultimately recruited the vast majority of the GLC investors.

39. In soliciting potential investors, Donnan represented that GLC was in the wholesale liquidation business, buying leftover, discontinued, damaged, or returned merchandise from major retailers in lots and then reselling those lots to discount retail stores or other liquidators.

40. Donnan typically offered investors the opportunity to provide the funding needed for specific “deals” by GLC.

41. In some instances, Donnan described the “deal” as a one-time purchase and resale of a lot of specific items, such as leftover or out-of-season toys, patio furniture, or holiday decorations.

42. In other instances, Donnan represented that a “deal” was the purchase and resale of any number of “trucks” that contained varying items of returned or damaged merchandise. Donnan told investors that each “truck” cost \$16,000 to purchase and generated \$8,000 of profit that was to be split \$4,000 for GLC and \$4,000 for the investor.

43. In some instances, Donnan told investors that the goods GLC was to purchase had already been “presold” by Crabtree, *i.e.*, GLC only participated in deals if Crabtree had already sold to third parties the merchandise that was being

purchased and GLC almost never took possession of the merchandise and, hence, never needed to store the merchandise in warehouse space.

44. Sometimes, investors were told that they were funding “deals” along with other investors and that their funds would be pooled to purchase a number of truckloads of merchandise.

45. Donnan promised investors that, in return for funding a deal, GLC would pay the investor a return of either a single lump sum or a varying stream of payments that, when converted to an interest rate, typically ranged from 13% to 40% for the period of the deal or 50% to 380% on an annualized basis.

46. Donnan determined what returns he could promise investors based on communications he had with Crabtree.

47. In some instances, when deals were supposedly finished, Donnan encouraged investors to “rollover” their principal or interest payments into new deals.

48. Donnan told some investors that their profits were “guaranteed” and told at least one investor “you can’t lose your money; it’s already pumping oil.”

49. Donnan frequently touted Crabtree’s expertise in the business to potential investors. Donnan told them that GLC was profitable and its success was limited

only by the amount of money it could raise to buy and resell the lots of merchandise that Crabtree found.

50. Donnan also touted his own success with investing in GLC and frequently told investors—many times, falsely—that he was investing along with them in the deals that he was offering.

DONNAN AND CRABTREE OPERATE GLC AS A PONZI SCHEME

51. Contrary to the representations by Crabtree and Donnan, the GLC investment program was almost exclusively a Ponzi scheme. Although GLC did purchase and resell some merchandise, the vast majority of deals offered to investors by Donnan and Crabtree did not exist.

52. Only approximately \$12 million of the \$80 million raised from investors was used to purchase merchandise. Contrary to representations by Donnan to investors that most of the merchandise to be purchased by GLC had been “presold,” only approximately \$4.1 million of that merchandise purchased as part of the scheme was ever sold to buyers.

53. A substantial quantity of the limited inventory that GLC did purchase was left in GLC’s warehouses and sold only when GLC was later itself liquidated.

54. Approximately \$68 million of investor funds was used to pay fake returns to earlier investors or was misappropriated by Crabtree or Donnan.

55. Donnan and Crabtree knew that GLC operated as a Ponzi scheme and together carried out the payment of returns to investors using money from new investors.

56. For example, during a meeting with an investor after mid-August 2010, Crabtree admitted to an investor that new investor money had gone to pay prior investors.

57. Moreover, in January 2010, GLC opened new bank accounts to which Donnan was a signatory. Thereafter, Donnan received monthly GLC bank account statements that detailed the receipt of new investor funds and the use of those funds to pay prior investors.

**DONNAN AND CRABTREE MISAPPROPRIATE INVESTOR FUNDS
AND UNJUSTLY ENRICH THE DONNAN CHILDREN**

58. Crabtree misappropriated approximately \$1.08 million of investor funds, which he took from GLC's accounts and used for purposes unrelated to GLC.

59. Donnan profited by approximately \$7.4 million from GLC during the course of the fraud. Specifically, Donnan invested approximately \$5.8 million in the

scheme but paid himself back approximately \$13.2 million from GLC investor funds. After the scheme collapsed, Donnan used a small percentage of his profits, less than \$900,000, to pay other investors.

60. In addition to funds he took directly, Donnan caused a total of \$1.38 million to be paid to two of his adult children and a son-in law, namely, Todd Donnan, Tammy Donnan, and Johnson, each of whom invested with GLC.

61. The Donnan Children received amounts that far outpaced even the inflated returns—albeit fake—that were being paid to other investors in the scheme.

62. For instance, Todd Donnan invested \$232,000 in GLC along with a business colleague and thereafter received periodic payments totaling at least \$620,333. He also received an additional \$1.14 million of investor funds directly from Donnan, which he used for the purchase of a home in the Athens, Georgia area.

63. Tammy Donnan invested \$16,000 in GLC and thereafter received periodic payments totaling \$140,000.

64. Johnson invested a total of \$131,000 in GLC, directly and through an entity he controls, and received periodic payments totaling \$617,875.

65. The Donnan Children were unjustly enriched by these profits.

**DEFENDANTS CONCEAL GLC'S FINANCIAL PROBLEMS AND
CONTINUE TO RAISE FUNDS**

66. In late 2009 or early 2010, Crabtree advised Donnan that GLC could no longer pay the rates of return Donnan was promising investors.

67. Starting in August 2010, GLC began missing interest payments due investors.

68. Around the same time, Donnan told an investor that GLC had “run out of buyers for its deals,” but assured this investor that he would get his money back.

Donnan told another investor “things were slowing down with GLC.”

69. During this same timeframe, Donnan told Todd Donnan’s in-laws, who were GLC investors and were looking to invest additional funds, not to invest further.

Donnan told them that Crabtree was continuing to buy goods despite not being able to sell existing inventory.

70. At about this time, Donnan told an investor that Crabtree had not been selling the merchandise, but was storing it in warehouses in Ohio and West Virginia.

71. However, neither Donnan nor Crabtree disclosed any of GLC’s financial troubles to new investors and Donnan, with the knowledge of Crabtree, continued raising funds for deals with promises of specific streams of future payments and/or percentages of return.

72. A group of investors ultimately forced the appointment of a Restructuring Officer to run the operations of GLC. As the Restructuring Officer uncovered the details of the fraud, Crabtree resigned his officer position at GLC and, on February 28, 2011, the Restructuring Officer caused GLC to file a voluntary bankruptcy petition.

COUNT I—FRAUD

**Violations of Section 17(a)(1) of the Securities Act
[15 U.S.C. § 77q(a)(1)]**

73. Paragraphs 1 through 72 are hereby re-alleged and are incorporated herein by reference.

74. From at least August 2007 through mid-October 2010, Defendants, in the offer and sale of the securities described herein, by the use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly, employed devices, schemes and artifices to defraud purchasers of such securities, all as more particularly described above.

75. Defendants knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud.

76. While engaging in the course of conduct described above, Defendants acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

77. By reason of the foregoing, the defendants, directly and indirectly, have violated and, unless enjoined, will continue to violate Section 17(a)(1) of the Securities Act [15 U.S.C. § 77q(a)(1)].

COUNT II—FRAUD

Violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)]

78. Paragraphs 1 through 72 are hereby realleged and are incorporated herein by reference.

79. From at least August 2007 through mid-October 2010, Defendants, in the offer and sale of the securities described herein, by use of means and instruments of transportation and communication in interstate commerce and by use of the mails, directly and indirectly:

a. obtained money and property by means of untrue statements of material fact and omissions 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

b. engaged in transactions, practices and courses of business which would and did operate as a fraud and deceit upon the purchasers of such securities, all as more particularly described above.

80. By reason of the foregoing, Defendants, directly and indirectly, have violated and, unless enjoined, will continue to violate Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. §§ 77q(a)(2) and 77q(a)(3)].

COUNT III—FRAUD

Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]

81. Paragraphs 1 through 72 are hereby re-alleged and are incorporated herein by reference.

82. From at least August 2007 through mid-October 2010, Defendants, in connection with the purchase and sale of securities described herein, by the use of the means and instrumentalities of interstate commerce and by use of the mails, directly and indirectly:

- 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 would and did operate as a fraud and deceit upon the purchasers of such securities, all as more particularly described above.

83. Defendants knowingly, intentionally, and/or recklessly engaged in the aforementioned devices, schemes and artifices to defraud, made untrue statements of material facts and omitted to state material facts, and engaged in fraudulent acts, practices and courses of business. In engaging in such conduct, Defendants acted with scienter, that is, with an intent to deceive, manipulate or defraud or with a severe reckless disregard for the truth.

84. By reason of the foregoing, Defendants, directly and indirectly, have violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

COUNT IV—UNREGISTERED OFFERING OF SECURITIES

**Violations of Sections 5(a) and 5(c) of the Securities Act
[15 U.S.C. §§ 77e(a) and 77e(c)]**

85. Paragraphs 1 through 72 are hereby realleged and are incorporated herein by reference.

86. No registration statement has been filed or is in effect with the Commission pursuant to the Securities Act and no exemption from registration exists with respect to the transactions described herein.

87. From at least August 2007 through mid-October 2010, Defendants, singularly and in concert, have:

- (a) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities, through the use or medium of a prospectus or otherwise;
- (b) carried securities or caused such securities to be carried through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or for delivery after sale; and
- (c) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or

offer to buy securities, through the use or medium of any prospectus or otherwise,

without a registration statement having been filed with the Commission as to such securities.

88. By reason of the foregoing, Defendants, directly and indirectly, singly and in concert, have violated Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. §§ 77e(a) and 77e(c)].

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Commission respectfully prays for:

I.

Findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure, finding that Defendants Donnan and Crabtree committed the violations alleged herein, and that the Donnan Children derived unjust enrichment from those violations.

II.

A permanent injunction enjoining Defendants Donnan and Crabtree, their officers, agents, servants, employees, and attorneys from violating, directly or

indirectly, Sections 5(a), 5(c) and 17(a) of the Securities Act [15 U.S.C. §§77e(a), 77e(c) and 77q(a)] and Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

III.

An order requiring the disgorgement by Defendants and Relief Defendants of all ill-gotten gains or unjust enrichment with prejudgment interest, to effect the remedial purposes of the federal securities laws.

IV.

An order 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)] imposing civil penalties against Defendants Donnan and Crabtree.

V.

Such other and further relief as this Court may deem just, equitable, and appropriate in connection with the enforcement of the federal securities laws and for the protection of investors.

DEMAND FOR JURY TRIAL

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, the Commission demands trial by jury in this action of all issues so triable.

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Respectfully submitted,

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