Hall of Fame coach faked out players in $80 million Ponzi scheme: SEC

Donnan and partner convinced coaches, ex-players to invest in merchandise scheme, commission claims; worked as college football analyst for ESPN

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University of Georgia former head football coach Jim Donnan and his Ohio business partner fraudulently raised $80 million from about 100 investors between 2007 and 2010 in a Ponzi scheme targeting college coaches, former players and others, according to regulators. Donnan worked between the hedges

(Photo: Benjamin Gray)

The Securities and Exchange Commission said Mr. Donnan — who also coached at Marshall University and is a College Football Hall of Fame inductee — and Gregory Crabtree, promised investors returns of 50% to 380%. They pushed investments in GLC Ltd., which they said bought leftover merchandise from major retailers on the cheap and resold the items to discount retailers, the SEC alleged in a civil complaint filed in federal court in Atlanta.

“Donnan and Crabtree convinced investors to pour millions of dollars into a purportedly unique and profitable business with huge potential and little risk,” said William P. Hicks, associate director of the SEC's Atlanta regional office. “But they were merely pulling an old page out of the Ponzi scheme playbook, and the clock eventually ran out.”

Mr. Crabtree's lawyer Mike Schmidt in Cincinnati had no comment, and a call to Mr. Donnan's lawyer, Edward Tolley, wasn't returned. Such allegations were first aired against Mr. Donnan in a bankruptcy case involving GLC.

The SEC said Thursday that Mr. Donnan recruited investors through the contacts he had made as a coach and then later as an ESPN sports commentator. He told one former player who ultimately invested $800,000, “Your daddy is going to take care of you … If you weren't my son, I wouldn't be doing this for you.”

Mr. Donnan and Mr. Crabtree allegedly sold short-term investments, usually lasting two to 12 months. The former coach told clients that their money was buying merchandise that in many cases was presold, all in a bid to convince the investors there was little risk, the SEC complaint said.

Only about $12 million of the $80 million raised purchased any merchandise, and most of those items were abandoned in warehouses, Mr. Hicks said in a call with reporters Thursday. Investor losses ranged from $4 million down to a few thousand dollars, he said. Mr. Donnan received about $7 million, and Mr. Crabtree siphoned off about $1 million of the investor funds, according to the SEC complaint. The commission is seeking civil penalties and a return of any ill-gotten gains, with interest, Mr. Hicks said.