

# ***NEWS RELEASE***

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***OFFICE OF THE UNITED STATES ATTORNEY  
SOUTHERN DISTRICT OF CALIFORNIA  
San Diego, California***

***United States Attorney  
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***For Immediate Release***

**PRESIDENT OF ARGYLL EQUITIES SENTENCED TO SERVE 15 YEARS  
RELATING TO \$80 MILLION  
INTERNATIONAL SECURITIES FRAUD SCHEME**

**NEWS RELEASE SUMMARY - September 23 2013**

United States Attorney Laura Duffy announced today that Douglas McClain, Jr. ("McClain"), President of Argyll Equities, Inc., was sentenced today by United States District Court Judge Roger T. Benitez to serve 15 years in federal prison and ordered to pay \$81,731,879.98 in restitution, for his role in a multi-million dollar stock loan fraud scheme which defrauded victims in the United States, Canada, Mexico, Panama, China, England, and Belgium. McClain was also ordered to forfeit several million dollars in assets that were the proceeds of the fraud, including cash and securities held in brokerage accounts, a luxury home in Florida, a houseboat, and diamond jewelry.

On April 13, 2012, McClain was charged in an indictment with 27 counts of conspiracy, mail fraud, wire fraud, securities fraud, and money laundering. On May 31, 2013, a federal jury returned guilty verdicts on all counts in the indictment against McClain.

According to the evidence presented a trial, McClain owned and controlled several entities that did business in San Diego, California, Florida, Texas, and Georgia under the name "Argyll." Beginning in at least 2004, McClain conspired with loan brokers to defraud the public, and borrowers, by falsely representing that Argyll was an institutional lender with significant cash to lend to corporate executives and other individuals. According to court records, McClain, and others, fraudulently induced corporate executives to pledge millions of dollars' worth of stock the executives held in publicly traded companies as collateral for loans by falsely representing that the borrowers' stock would not be sold unless there was a default on the loan.

The evidence presented at trial showed that McClain's entities had no cash to lend and, instead, survived for years by immediately selling borrowers stock on the day after the stock was pledged as collateral. The proceeds from the sale of the stock were used to fund the loans creating the appearance that the Argyll entities had plenty of cash to lend.

The evidence also showed that McClain, and others, fraudulently induced the borrowers to make monthly interest payments on their loans by falsely representing that their collateral was safe and would be returned as long as they did not default. At the end of the loan terms, the borrowers paid off their loans. Instead of returning the stock to the borrowers, McClain kept the money and provided false excuses about why he could not return their stock.

The evidence further showed that McClain's unauthorized sales of stock held by insiders of publicly traded companies caused the stock price to plummet which defrauded purchasers of these publicly traded securities who purchased stock through public stock exchanges.

United States Attorney Duffy praised the efforts of the FBI for its investigation of the case. U.S. Attorney Duffy stated, "The evidence at trial showed how McClain was able to steal publicly traded securities from unsuspecting corporate insiders through an elaborate scheme involving an international network of loan brokers that deceived the public into believing that McClain's entities were legitimate lenders. This case is a reminder to the public to be extremely cautious when pledging property to unregulated third party lenders."

FBI Special Agent in Charge, Daphne Hearn, commented, "This investigation highlights the need for consumers to do their own homework before entering into business arrangements and not simply take the word of the other person, especially when it comes to pledging stocks, bonds or other negotiable instruments as collateral. I commend the U.S. Attorney's Office and the FBI Agents and professional employees who worked so diligently to bring this matter to justice."

This case was investigated by the Federal Bureau of Investigation-San Diego Division.

**DEFENDANT**

**Case Number: 12cr0918BEN**

Douglas A. McClain, Jr.

**SUMMARY OF CHARGES**

Count 1: Conspiracy (Title 18, United States Code, Section 371):  
Counts 2-8 Mail Fraud (Title 18, United States Code, Section 1341)  
Counts 9-23 Wire Fraud (Title 18, United States Code, Section 1343)  
Count 24 Securities Fraud (Title 15, United States Code, Sections 78j(b) and 78ff)  
Counts 32-35 Money Laundering (Title 18, United States Code, Section 1957)

**INVESTIGATING AGENCY**

Federal Bureau of Investigation