



*United States Attorney
Southern District of New York*



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**RECIDIVIST FRAUDSTER FOUND GUILTY IN MANHATTAN FEDERAL
COURT OF MULTI-MILLION DOLLAR INVESTMENT SCHEME**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced today that ROBERT E. MCDONALD, the former president of RAI Hotel Acquisition, Inc. ("RAI, Inc.") was found guilty in Manhattan federal court of securities fraud, wire fraud, and mail fraud crimes in connection with a multi-million dollar investment scheme. As part of the scheme, MCDONALD solicited funds from investors by falsely stating that the investments would be used towards the purchase of more than \$100 million worth of hotels. Instead, MCDONALD spent a substantial portion of investors' funds on, among other things, a variety of personal expenses. MCDONALD was convicted after a two-week jury trial presided over by U.S. District Judge JOHN G. KOELTL.

According to the Indictment filed in Manhattan federal court, other court documents, and statements made during trial and related court proceedings:

In May 2009, MCDONALD, on behalf of RAI, Inc., entered into an agreement to buy a portfolio of approximately 14 hotels located in the Midwest (the "Midwest Hotel Portfolio") for a total of approximately \$108 million. MCDONALD then contacted an individual who already owned and managed several hotels (the "Hotel Investor") and solicited \$8 million to complete the purchase. He told the Hotel Investor that RAI, Inc. would combine the Hotel Investor's funds with approximately \$22 million in existing assets and would then borrow the remaining funds to complete the purchase. To show that RAI, Inc. had adequate funds to complete the transaction, MCDONALD e-mailed the Hotel Investor a fake statement from JP Morgan Chase which showed that he had assets of \$88 million. MCDONALD also e-mailed the Hotel Investor a phony letter from JP Morgan Chase stating that RAI, Inc. "has under management in the treasury services management division of our global trades department approximately \$15,456,792.28." In fact, there was no RAI, Inc. account at JP Morgan Chase. Based,

in part, on these assurances, the Hotel Investor wired approximately \$1.5 million to a bank account that MCDONALD had provided in return for a 20 percent ownership interest in RAI, Inc.

In June 2010, MCDONALD solicited \$400,000 from another potential investor for the Midwest Hotel Portfolio. The investor ultimately sent MCDONALD approximately \$128,000.

MCDONALD never completed the purchase of the Midwest Hotel Portfolio. Instead, he diverted a substantial portion of the \$1.6 million he received to pay for personal expenses, including, among other things, cosmetic dental work, Florida real estate, and the payment of restitution that MCDONALD owed victims in connection with a 2006 conviction in Manhattan federal court for wire fraud and credit card fraud. MCDONALD was also convicted in 2006 in a separate wire fraud case in Manhattan federal court. In connection with the current fraud scheme, MCDONALD failed to disclose any of these prior fraud convictions to potential investors.

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MCDONALD, 32 of Tampa, Florida and New York City, faces a statutory maximum sentence of 20 years on each count, resulting in a total statutory maximum sentence of 60 years in prison. He also faces a fine on the securities fraud count of the greater of \$5 million, or twice the gross gain or loss from the offense, and a fine on the wire fraud and mail fraud counts of the greater of \$250,000, or twice the gross gain or loss from the offense. In addition, MCDONALD faces forfeiture of assets purchased with investor funds and an order of restitution.

Mr. BHARARA praised the investigative work of the U.S. Postal Inspection Service.

This case was brought in coordination with President BARACK OBAMA's Financial Fraud Enforcement Task Force, on which Mr. BHARARA serves as a Co-Chair of the Securities and Commodities Fraud Working Group. President OBAMA established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective

punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

This case is being handled by the Office's Securities and Commodities Fraud Task Force. Assistant U.S. Attorneys ARLO DEVLIN-BROWN and JASON COWLEY are in charge of the prosecution.

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