Man accused of swindling prominent Central NYers: I lied, deceived investors

Gregory Gray in a photo his lawyers submitted to federal court as part of their request for leniency. *(U.S. District Court)*

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NEW YORK, N.Y. -- Gregory Gray, who's accused of embezzling money from prominent Central New Yorkers, admits he lied and deceived his investors.

"Instead of owning up to failure and being honest with my investors, I lied and tried to find a way to make everyone their money back," Gray wrote in a letter to a federal judge.

Gray, 41, of Buffalo, is scheduled to be sentenced Wednesday in Manhattan for securities fraud and perjury. He **pleaded guilty** to using one investor's $5 million to pay off other investors, instead of investing it in stocks of Uber Inc.

Federal prosecutors want U.S. District Judge Sidney Stein to sentence Gray to 6 1/2 to eight years in prison.

Gray's lawyers asked the judge to not jail him at all. They asked Stein to sentence Gray to probation, electronic home confinement, and community service.

Gray used the money from investor William McEssy to pay off previous investors to whom Gray owed shares of Twitter stock, according to court papers. Federal investigators called it a "Ponzi-like" scheme.

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"I believed I would be able to make everyone happy in the end," Gray wrote in a letter to the judge. "In truth, what I did was build a house of cards that came tumbling down."

Separate from the criminal case, dozens of people filed a **class-action lawsuit** against Gray in Syracuse last year.

In the criminal case, Gray admitted fabricating documents that he used to convince McEssy that Gray had invested the $5 million as promised. Gray sent McEssy a fabricated stock transfer agreement that bore a cut-and-pasted signature from a previous purchase of stock, according to court papers.

When the SEC confronted Gray about the fake document, he lied and said it was real, federal prosecutors wrote in a sentencing memorandum.

"Gray used (McEssy's) money to compensate other investors whose money Gray had mismanaged in other funds that Gray controlled," said the document, written by prosecutors in U.S. Attorney Preet Bharara's office.

"It is clear that Gray in fact solicited $5 million from (McEssy) with the premeditated intent to use his money, in Ponzi-like fashion, to pay other investors whose money Gray had mismanaged," the prosecutors wrote.

McEssy, a McDonald's restaurant franchise magnate, is among the investors suing Gray.

Since his arrest, Gray has left the financial world, his lawyers wrote. He rehabs older homes in Buffalo and is working on finishing his undergraduate degree, they said.

"Following my failure, I was lost and humiliated," Gray said in his letter. "I was crushed by the weight of the realization that I had hurt people who trusted me."

A psychologist who examined Gray said he was driven by "an insatiable desire to please others."

His lawyer, Edward Sapone, said in court papers that Gray didn't use any of the investors' money on himself, and that he plans to pay back the money he lost.

"Mr. Gray is unlike the stereotypical greed-driven securities fraud defendant," Sapone wrote. "He never intended to, nor did he, place even a penny of the victim's money in his pocket."

Gray grew up in the Syracuse area and used two local men to recruit new investors: Onondaga County Legislature Chairman Ryan McMahon and Andrew Russo Jr., a concert pianist who ran unsuccessfully for state Senate in 2010. They're among the investors suing Gray.

The local investors included Marc Overdyk, the husband of Onondaga County Executive Joanie Mahoney; Tim Green, a lawyer, author and former pro football player; James Breuer, president of Hueber-Breuer Construction; Andrew Goldberg, with the former Goldberg & Sons furniture; and County Legislator Kevin Holmquist.

The Securities and Exchange Commission is also suing Gray. The SEC censured him and barred him from work as a general securities representative from 2008 to 2011. The agency found he'd entered unauthorized trades in customer accounts then harassed and threatened the customers and their families after they complained, according to SEC filings.

Gray **never disclosed** his troubled past to investors in his companies.

Gray was the point man for investments into Everloop Inc. starting five years ago. The company marketed itself as Facebook for children. After raising millions of dollars in investments, it went insolvent four years ago, according to the investors' lawsuit.

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