Greg Gray, accused of swindling prominent Central NYers, sentenced to prison for $5M fraud

Gregory Gray in a photo his lawyers submitted to federal court in Manhattan before his sentencing. *(U.S. District Court)*

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NEW YORK, N.Y. -- A former Fayetteville man accused of bilking prominent Central New Yorkers out of their investments was sentenced today to two years in prison for defrauding one investor out of $5 million.

U.S. District Judge Sidney Stein imposed the sentenced on Gregory Gray in federal court in Manhattan.

Stein ordered Gray to repay the $5 million investment he defrauded from William McEssy.

"Gregory Gray deceived investors, claiming he would use their funds to buy shares of high-flying technology companies like Twitter and Uber," U.S. Attorney Preet Bharara said. "In reality, Gray did not make the investments he said he would, and later used new investor funds to pay back earlier investors."

Gray then lied about the investments to federal investigators, Bharara said.

Gray, 41, of Buffalo, pleaded guilty to securities fraud and perjury for using McEssy's investment to pay off other investors, instead of investing it in stocks of Uber Inc.

McEssy is a McDonald's restaurant franchise magnate.

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Gray used McEssy's $5 million 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.

Gray admitted in court papers that 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 Stein.

Federal prosecutors asked 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.

"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.

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.

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.

Gray grew up in Fayetteville 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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