



*United States Attorney
Southern District of New York*

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**U.S. SETTLES CIVIL FRAUD CHARGES AGAINST SMALL BUSINESS
OWNER WHO OBTAINED HUD GRANTS AFTER TERROR ATTACK**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced today that ARTHUR GREGORY has agreed to pay \$36,500 to settle civil fraud charges filed by the United States in connection with GREGORY'S applications for grants for two small businesses in lower Manhattan after the September 11, 2001, terrorist attack in New York City.

The Complaint alleges that on October 24, 2002 and December 24, 2002, GREGORY submitted applications under the World Trade Center Small Firm Attraction and Retention Grant Program ("the SFARG program") on behalf of two small businesses located in downtown Manhattan near Ground Zero: 57 Murray Street Roadhouse, LLC, a bar and restaurant, and EatUSA.net, LLC, a retail and internet supplier of specialty foods. According to the Complaint, the actual lease for the premises of those businesses did not meet SFARG eligibility requirements because they expired after December 31, 2004, but GREGORY submitted with his applications false leases in order to fraudulently secure the grants. The Complaint also charges that the amount of the two SFARG grants was calculated according to the total number of employees working at the two businesses, but that GREGORY presented with his applications documents that fraudulently misrepresented the number of full-time and part-time employees at each business.

The Government's Complaint, which is brought under the False Claims Act and the common law, alleges that GREGORY made fraudulent claims to the United States Department of Housing and Urban Development ("HUD"), which funds the SFARG program. That program was established by the New York State Urban Development Corporation, d/b/a the Empire State Development Corporation ("ESDC"), in cooperation with the New York City Economic

Development Corporation, to assist in the retention and attraction of small businesses in lower Manhattan after the September 11, 2001 terrorist attack on the World Trade Center. The funding for the SFARG program was provided by HUD on February 13, 2002, through its Community Development Block Grant Disaster Assistance. HUD awarded \$155 million dollars to the State of New York to fund the SFARG program.

GREGORY agreed to pay the Government \$36,500 to settle the charges detailed in the Government's Complaint. In agreeing to the settlement, GREGORY did not admit any wrongdoing or liability. United States Magistrate Judge KEVIN NATHANIEL FOX approved the settlement in Manhattan federal court.

Mr. GARCIA thanked HUD for its assistance in the investigation.

Assistant United States Attorney HEATHER K. McSHAIN is in charge of the case.

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