



NEWS RELEASE

From New York State Inspector General
Catherine Leahy Scott

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CAPITAL REGION CONSTRUCTION EXECUTIVE PLEADS GUILTY IN FRAUD SCHEME TO OBTAIN MILLIONS OF DOLLARS IN PUBLIC CONTRACTS AS WELL AS SIX-FIGURE INSURANCE AND WAGES THEFT

Michael Martin Fraudulently Obtained Public Construction Contracts Worth Millions of Dollars Through Identity Theft of Minority-Business Enterprises; Separately Stole Over \$350,000 from a Minority-Owned Business and an Insurance Company and Failed to Pay Workers More Than \$400,000 in Prevailing Wages

Martin to Be Sentenced to 3½ To 12 Years in State Prison And Ordered to Pay Nearly \$800,000 in Judgments Favoring The Victims

ALBANY – New York State Inspector General Catherine Leahy Scott, Attorney General Barbara D. Underwood and Department of Labor Commissioner Roberta Reardon today announced the guilty pleas in Albany and Schenectady counties of the former president of a now defunct Albany-based contracting company for a fraud scheme to obtain public works contracts worth millions of dollars by stealing the identities of two other companies and stealing more than three-quarters-of-a-million dollars in wages, insurance proceeds and the proceeds of another company through a fake lease agreement. Under terms of the plea, Martin is expected to be sentenced to serve 3½ to 12 years in state prison and pay \$800,000 in judgments to victims.

Michael Martin, 47, of Latham, the former President and owner of Eastern Building & Restoration, Inc. (“Eastern”) pleaded guilty today in Albany County Court to Scheme to Defraud in the First Degree, a felony. He separately pleaded guilty in Schenectady County Court to Grand Larceny in the Second Degree, also a felony. Martin’s pleas were in full satisfaction of grand jury indictments filed in both counties in July charging numerous felonies.

“The criminal schemes perpetrated by this top construction executive shamelessly abused his own employees and the companies that worked with him while exploiting and defrauding a laudable program meant to level the playing field for many small and disadvantaged companies,” said **Inspector General Leahy Scott**. “The integrity of programs promoting the use of women- and minority-owned businesses in New York is crucial to the government contracting process, and I am thankful for the tremendous work with my law enforcement partners that put an end to one executive’s history of corruption.”

“The defendant’s elaborate scheme defrauded minority-owned businesses and his own employees – all to game the system for his own benefit. Now he’s facing the consequences,” said **Attorney General Underwood**. “My office will continue to prosecute fraudsters that take advantage of New York businesses, workers, and taxpayers.”

“This defendant was caught red handed stealing from his hard working employees and from New York State. It is only just that he is now going to jail and will be making significant restitution to those he stole from,” said **Department of Labor Commissioner Reardon**. “I hope this case sends a message to others who would seek to game the system – New York fights for the rights of hardworking men and women and if you commit fraud we will find you and you will pay for your crimes.”

An Albany County indictment charging Eastern’s former controller, D. Scott Henzel, 53, of Albany, with the felonies of Failure to Pay Prevailing Rate of Wage or Supplements, Identity Theft in the First Degree, Offering a False Instrument for Filing in the First Degree and Scheme to Defraud in the First Degree remains pending in court.

The cases were the result of a joint investigation conducted by Inspector General Leahy Scott, the Attorney General’s Criminal Enforcement and Financial Crimes Bureau, and the State Department of Labor.

The defendants’ alleged scheme was devised to enrich themselves at the expense of laborers, minority-owned businesses, and numerous state, county, and local agencies. The scheme included the identity theft of two minority-owned businesses, Lorice Enterprises, Inc. and Precision Environmental Solutions, Inc., as well as the theft of prevailing wage benefits from more than 50 employees of Eastern.

The investigation by Inspector General Leahy Scott and the Office of the Attorney General alleged that the defendants’ identity theft scheme operated as follows. Between April 2012 and September 2015, Martin and Henzel offered two minority business enterprises, Lorice Enterprises, Inc. (“Lorice”) and Precision Environmental Solutions, Inc. (“Precision”), the opportunity to partner with Eastern for the purpose of teaching the businesses how to successfully operate and bid on public construction projects. In reality, Martin and Henzel took over the two businesses and managed all day-to-day business activities, including staffing of laborers, bidding decisions, as well as all banking activity and financial decisions. The defendants then used the minority-owned businesses to fraudulently obtain millions of dollars in public works projects awarded to Eastern, which required a portion of funds awarded to be paid to minority contractors pursuant to Article 15-A of the Executive Law. The purpose of Article 15-A of the Executive Law is to promote employment and business opportunities on public contracts for minorities and women, so that when public dollars are spent on construction projects, a portion of those funds are used to promote the growth of minority or women owned businesses.

In reality, according to court records, once Martin and Henzel brought Lorice and Precision into Eastern, those firms ceased to be minority-owned business enterprises other than on paper and were instead controlled exclusively by -- and for the benefit of -- Martin and Henzel. Martin and Henzel intermingled the finances of Lorice and Precision with those of Eastern and Moisture Barriers, a roofing company also owned by Martin. They also failed to pay New York State withholding and unemployment insurance taxes on behalf of the minority businesses, resulting in thousands of dollars of penalties and interest being assessed against those businesses and their owners.

Additionally, Martin systematically failed to pay over 50 laborers \$6 per hour in pension funds, which Eastern was obligated to pay as part of their prevailing wage requirement. Between March 1, 2012 and February 6, 2014, Martin and Henzel allegedly underpaid Eastern’s laborers more than \$400,000 in pension benefits, including more than \$100,000 on a single contract with the New York State Dormitory Authority. To conceal their crime, Martin and Henzel allegedly falsely certified on all of their public works projects that they had paid these pension payments to every employee.

Eastern went out of business in February 2014 after declaring itself financially unable to perform its numerous contracts. Thereafter, Martin moved Precision from Eastern’s former headquarters in Albany to a new location in Scotia, New York, where Precision paid the landlord \$1,800 per month in rent. Martin then created a fake rental agreement between Precision and a fictitious company Martin controlled called Delta Land Holdings,

LLC, whereby Precision paid Delta more than \$9,000 per month in “rent” for the same premises in Scotia. Martin then systematically withdrew the fake rent payments each month.

Martin stole \$154,547 from Precision through the fake rental scam, as well as \$204,995 from Allegheny Casualty by falsely claiming on behalf of Precision that it was a subcontractor of Eastern and was never paid for work by Eastern on a construction project Eastern had secured through the New York State Office of General Services. In fact, Precision was not a subcontractor on that project, but was instead operated by Eastern. The total wage theft amounted to \$411,702.

The investigation found that Martin spent more than \$1 million dollars obtained through the scheme to fund a lavish lifestyle, including the use of corporate credit cards to purchase high-end Harley Davidsons motorcycles, snowmobiles, trailers, jet skis, and off-road vehicles, payments toward a \$170,000 R.V., and more than \$150,000 in other personal expenditures. Martin paid for similar purchases for his girlfriend and used corporate funds to take lavish trips to the Dominican Republic, Paradise Island in the Bahamas, the Chatham Bars Inn, and the Whiteface Lodge.

Martin’s plead guilty on Thursday, Oct. 11, in Schenectady County Court pursuant to a plea agreement in which he will be sentenced to 3½ to 12 years in state prison, and he pleaded guilty today in Albany County Court pursuant to a plea agreement in which he would be sentenced to 1 to 3 years in prison served concurrently with the Schenectady sentence. Martin also agree to enter into nearly \$800,000 in judgments in favor of the victims.

The charges against Henzel are merely accusations and he is presumed innocent until and unless proven guilty in a court of law.

Inspector General Leahy Scott thanked Attorney General Underwood and her office for their work prosecuting and investigating this case, Department of Labor Commissioner Reardon and her office for their investigative work, and the following agencies for their assistance in this investigation: The New York State Office of the Comptroller, the New York State Office of General Services, the Dormitory Authority of the State of New York, the New York State Division of Minority and Women’s Business Development, the New York State Tax Department’s Criminal Investigations Division, the New York State Police, the United States Bankruptcy Trustee for the Northern District of New York, and Schenectady County District Attorney Robert M. Carney and his office.

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