



NEWS RELEASE

From New York State Inspector General
Catherine Leahy Scott

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Contact [John Milgrim](#): 518-474-1010

CAPITAL REGION CONSTRUCTION EXECUTIVE SENTENCED TO PRISON FOR FRAUD SCHEME INVOLVING MILLIONS OF DOLLARS IN PUBLIC CONTRACTS AS WELL AS SIX-FIGURE INSURANCE AND WAGE 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 Facing \$800,000 in Judgments Favoring the Victims

ALBANY – New York State Inspector General Catherine Leahy Scott today announced the sentencing to prison 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.

Michael Martin, 47, of Latham, the former President and owner of Eastern Building & Restoration, Inc. (“Eastern”) was sentenced today in Schenectady County Court to 3½ to 12 years in State prison for his previous guilty plea to Grand Larceny in the Second Degree, a felony. As part of his plea, Martin agreed to \$800,000 in judgments favoring his victims. He is separately scheduled for sentencing in Albany County Court on Monday, December 10, for his related plea to Scheme to Defraud in the First Degree, also a felony. Martin’s pleas were in full satisfaction of grand jury indictments filed in both counties in July charging numerous felonies for the schemes.

“This former corporate executive exploited smaller struggling businesses and his own employees with self-indulgent criminal schemes that shamelessly shattered the livelihoods of his many victims. He corrupted a laudable program meant to bolster minority-owned businesses and instead ruined them financially while enriching himself.” Said **Inspector General Leahy Scott**. “The integrity of government programs meant to aid women- and minority-owned businesses in New York is critical to leveling the competitive playing field for government contract work, and I am thankful for my law enforcement partnerships that helped put an end to this defendant’s corrupt practices.”

In a related matter, D. Scott Henzel, 53, of Albany, the former comptroller of the now defunct Eastern Building & Restoration, Inc. (“Eastern”), pleaded guilty in Albany County Court last month to the crime of Failure to Pay Prevailing Wages, a felony, in full satisfaction of his previous grand jury indictment. He is scheduled for sentencing on Jan. 8, 2019 and is expected to agree to a court ordered judgement against him of up to \$75,000

to help reimburse Eastern's employees.

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.

Martin's schemes were devised to enrich himself at the expense of laborers, minority-owned businesses, and numerous state, county, and local agencies. The schemes included the identity theft of two minority-owned businesses, Loric 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 found that the defendants' identity theft scheme operated as follows. Between April 2012 and September 2015, Martin and Henzel offered two minority business enterprises, Loric Enterprises, Inc. ("Loric") 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, once Martin and Henzel brought Loric 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 Loric 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 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 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 obtained through the scheme to fund a lavish lifestyle, including the use of corporate credit cards to purchase 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.

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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