**DOJ: Hayner Hoyt to pay $5 million to resolve allegations it “exploited” disabled veterans’ contracts**

by Eric Reinhardt

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SYRACUSE, N.Y. — The Hayner Hoyt Corporation has agreed to pay $5 million to resolve allegations that it “engaged in conduct designed to exploit contracting opportunities reserved for service-disabled veterans.”

The allegations involve Gary Thurston, CEO of Syracuse–based Hayner Hoyt; Jeremy Thurston, company president; employees Ralph Bennett and Steve Benedict; and Hayner Hoyt affiliates LeMoyne Interiors and Doyner Inc., the U.S. Department of Justice (DOJ) said in a news release issued Monday.

The settlement resolves allegations that the accused “orchestrated a scheme” designed to “take advantage” of the service-disabled, veteran-owned, small-business program to secure government contracts for 229 Constructors LLC, a company that no longer operates.

The firm 229 Constructors is an entity that Gary and Jeremy Thurston created, controlled, and subcontracted for Hayner Hoyt and its affiliates, the DOJ said.

A whistleblower lawsuit filed under the False Claims Act triggered the federal government’s investigation.

One of the law’s provisions allows private persons, known as “relators,” to file civil actions on behalf of the U.S. and share in any recovery.

The relator in this case will receive $875,000 of the settlement proceeds, the DOJ said.

*Company response*

Hayner Hoyt “never intended” to violate the False Claims Act, Jeremy Thurston said in a statement that the company issued Monday afternoon.

“When 229 Constructors was formed, a former official from the Small Business Administration, accountants, attorneys and a local [Veterans Administration] contracting officer provided guidance to ensure that the business was not violating any rules,” Thurston contended.

Hayner Hoyt decided to settle to avoid a “prolonged investigation, business distractions and additional legal expenses,” Thurston added. He called the settlement “significant,” but noted it won’t impact the company’s ability to continue business operations.

*Allegations*

The Thurstons’ “exerted significant influence” over 229 Constructors’ decision-making during the bid, award, and performance of these contracts “in various ways.” They included staffing the company “entirely” with then-current and former Hayner Hoyt employees and their spouses, the DOJ said.

Neither Thurston is a veteran, according to the department.

The Thurstons also provided 229 Constructors with “considerable” resources, which provided it with a “competitive advantage” over “legitimate,” service-disabled veteran-owned small businesses neither affiliated with nor controlled by a larger, non-veteran owned corporation.

Hayner Hoyt officials “caused false certifications and statements to be made to the government” indicating that 229 Constructors met all requirements to be a service-disabled veteran-owned small business.

The DOJ said the company “knew, or should have known,” that 229 Constructors did not meet such requirements.

By diverting contracts and benefits intended for the nation’s service-disabled veterans to Hayner Hoyt and its affiliates, the company “undercut” Congress’s intent of encouraging contract awards to “legitimate,” service-disabled, veteran-owned, small businesses.

The investigation revealed that Bennett was not involved in making important business decisions for the company.

Bennett is a service-disabled veteran who allegedly ran 229 Constructors, served as its president, and oversaw its $14.4 million government-contracts portfolio.

He was instead responsible for overseeing Hayner Hoyt’s tool inventory and plowing snow from Hayner Hoyt’s property, according to the DOJ.

The department said Jeremy Thurston set up an email account in Bennett’s name in such a way that all emails received by the veteran were automatically forwarded to him.

After the government began to question 229 Constructors’ affiliation with Hayner Hoyt, Gary Thurston “wrote others” that he and Jeremy Thurston would likely terminate operations of 229 Constructors.

A few months later, service-disabled veteran Bennett and Benedict, who was simultaneously the “co-owner” of 229 Constructors and listed on Hayner Hoyt’s website as one of its five “key” officials, transferred a total of $52,000 to Gary Thurston’s personal bank account allegedly to show their appreciation for the assistance he had provided.

The accused made various admissions in the settlement agreement, the DOJ said.

They admitted that their conduct “violated” federal regulations designed to encourage contract awards to legitimate, service-disabled, veteran-owned small businesses.

They also admitted that 229 Constructors provided more than $1.3 million in service-disabled veteran-owned small business subcontracts to Hayner Hoyt, LeMoyne Interiors and Doyner and that those companies generated $296,819 in gross profits as a result.

“Those who do business with the federal government must do so honestly,” Richard Hartunian, U.S. Attorney for the Northern District of New York, said in the news release.

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