



United States Attorney's Office for the District of Maryland

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FORMER CEO SENTENCED IN BRIBERY SCHEME INVOLVING \$130
MILLION IN FEDERAL CONTRACTS

CEO of Federal Contractor Paid Over \$100,000 in Bribes to
GSA Employee
Provided Shopping Bag Containing Cash and a Caribbean
Cruise

Greenbelt, Maryland - U.S. District Judge Deborah K. Chasanow sentenced former Montgomery County police officer Michael B. Holiday, age 51, of Silver Spring, Maryland, today to four years in prison followed by three years of supervised release for bribery and tax evasion in connection with a scheme involving three federal government contracts worth over \$130 million awarded to a Silver Spring company he owned that provided security to federal buildings in Maryland and California, and for transporting child pornography by computer, announced United States Attorney for the District of Maryland Rod J. Rosenstein. The company, Holiday International Security, Inc. (HIS), now known as USProtect Corporation, provided armed and unarmed security guards for 18 federal agencies at 120 installations in 32 states and territories. Judge Chasanow also ordered Holiday to pay \$400,000 in restitution to the Internal Revenue Service and ordered that he register as a sex offender upon his release from prison.

United States Attorney Rod J. Rosenstein said, "Government employees are given broad discretion about how to spend taxpayer money. Their decisions must be based on which contractor provides the best service to the public at the lowest price, not on which contractor offers the best bribe to the employee at the highest price. In terms of the value of federal government contracts secured through bribery, this is the largest corruption case ever prosecuted in Maryland. It is one in a series of corruption cases that we have pursued in Maryland in order to send the strongest possible message to corrupt government employees and people who bribe them."

Department of Homeland Security Inspector General Richard L. Skinner said, "This is a superb example of agencies working together to achieve significant results that benefit taxpayers, punish wrongdoers, and discourage future acts of corruption."

"TIGTA is committed to investigating contract fraud that impacts the IRS and the nation's tax administration system. I commend the work of everyone involved in this case," said J. Russell George, the Treasury Inspector General for Tax Administration.

Special Agent in Charge C. André Martin, of the Washington DC Field Office of the IRS - Criminal Investigation stated, "Prosecuting individuals who intentionally conceal income and evade taxes is a vital element in maintaining public confidence in our tax system. We should not expect the honest taxpayer to foot the bill for those who hide income from the IRS."

According to their plea agreements, Holiday was the chief executive officer and owner of HIS, based in Silver Spring, Maryland. In May of 2003, HIS changed its name to USProtect Corporation. Dessie Ruth Nelson, a former longtime employee of General Services Administration (GSA), was responsible for contracting on GSA's behalf with private companies to provide security to GSA-managed buildings.

Between 2000 and 2003, Holiday provided Nelson with cash, vacations and other benefits in exchange for Nelson's assistance in awarding three multi-million dollar contracts to HIS. One contract involved GSA-managed federal buildings in San Diego and three other counties in southern California. GSA solicited bids for a contract to provide

security services to these federal facilities in November 1999. Holiday caused HIS to submit a bid of approximately \$50 million. Although the company's bid was almost \$10 million higher than the lowest bid received by GSA, Nelson awarded the contract to HIS in May 2000. From 2000 through 2004, GSA paid HIS and USProtect more than \$54 million pursuant to this contract.

In February 2001, GSA solicited bids to provide security to federal facilities in San Francisco and seven other counties in northern California. Although HIS again did not submit the lowest bid price, Nelson awarded the contract to HIS in June 2001. From 2001 through the present, GSA paid HIS and USProtect more than \$30 million pursuant to this contract.

In January 2002, HIS submitted a proposal for a contract to provide security to SSA- operated facilities in Baltimore, Maryland. Nelson sent SSA responses she prepared to a questionnaire regarding HIS's performance of its California contracts. Although HIS had experienced problems, Nelson provided all favorable ratings for HIS. Based in part on this recommendation, SSA awarded the contract to HIS. From 2002 through the present, SSA paid HIS and USProtect more than \$50 million pursuant to this contract.

In return for Nelson's assistance in obtaining the above contracts, Holiday provided Nelson with, among other benefits, a shopping bag containing \$35,000 in cash and an envelope containing \$10,000 in cash. Holiday also arranged for and paid \$7,000 for Nelson's passage on a Caribbean cruise.

Holiday also received substantial compensation from HIS and companies he controlled from 2001 to 2004 for which he failed to file federal income tax returns and failed to pay more than \$400,000 in taxes owed to the IRS. Instead, Holiday tried to conceal his income, including transferring funds into bank accounts of companies he controlled.

Additionally, in April 2004 an undercover FBI agent in New York sent a message to an Internet chat room stating "room topic vids to trade." On April 13, 2004 the agent received a message in the chat room from Holiday inquiring whether the agent wanted to trade videos. Holiday subsequently sent the agent an email from his computer attaching a video file

documenting the sexual abuse of a prepubescent female performing oral sex on an adult male.

Judge Chasanow scheduled sentencing for Dessie Ruth Nelson, age 65, of Oakland, California, for July 28, 2008 at 11:00 a.m.

In a related case, Richard S. Hudec, age 45, of Naples, Florida, who was a former chief operating officer of USProtect, was sentenced on June 13, 2008 to 33 months in prison for evading taxes on more than \$1 million in unreported income, and for concealing material information from federal contracting officials - including four prior felony convictions - in connection with federal contracts worth over \$150 million that were awarded to USProtect.

In addition, the government has filed a complaint for forfeiture seeking up to \$6.9 million, including a home in Naples, Florida, which the complaint alleges was involved in money laundering transactions using proceeds of a bribery offense. This action remains pending, as do two related involuntary Chapter 7 bankruptcy cases filed by three creditors of the companies in the United States Bankruptcy Court for the District of Maryland. When the companies did not object, the Bankruptcy Court granted the involuntary petitions. Further, the Greenbelt Office of the United States Trustee Program - the Department of Justice agency that supervises bankruptcy cases and trustees - appointed a Chapter 7 trustee to identify, marshal and liquidate assets on behalf of USProtect creditors.

The National Procurement Fraud Task Force was formed in October 2006 to promote the early detection, identification, prevention and prosecution of procurement fraud associated with the increase in government contracting activity for national security and other government programs. The Procurement Fraud Task Force - chaired by Acting Assistant Attorney General for the Criminal Division Matthew Friedrich - includes the United States Attorneys' Offices, the FBI, the U.S. Inspectors General community, and a number of other federal law enforcement agencies. This case, as well as other cases brought by members of the Task Force, demonstrate the Department of Justice's commitment to helping ensure the integrity of the government procurement process.

United States Attorney Rod J. Rosenstein praised the Federal Bureau of Investigation; the General Services

Administration - Office of Inspector General; the Social Security Administration - Office of Inspector General; the Department of Homeland Security - Office of Inspector General; the Internal Revenue Service - Criminal Investigation; Treasury Inspector General for Tax Administration; and the Defense Criminal Investigative Service for their investigative work. Mr. Rosenstein thanked Assistant U.S. Attorneys Michael Pauzé and Jonathan Biran, who prosecuted the case.