



# Department of Justice

United States Attorney Rod J. Rosenstein  
District of Maryland

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## **FORMER CEO PLEADS GUILTY TO BRIBING A GOVERNMENT OFFICIAL FOR \$130 MILLION IN FEDERAL CONTRACTS**

*GSA Contracting Official Charged With Accepting  
Bribes of Over \$100,000 and a Caribbean Cruise*

*Chief Operating Officer Charged with Concealing Past Fraud Judgments  
from Federal Contracting Officials to Obtain Over \$150 Million in Federal Contracts*

**Greenbelt**, Maryland - Former Montgomery County police officer Michael B. Holiday, age 50, of Silver Spring, Maryland, pleaded guilty today to 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, announced United States Attorney for the District of Maryland Rod J. Rosenstein. Holiday also pleaded guilty to transporting child pornography by computer. 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.

In related cases, a former General Services Administration (GSA) contracting official, Dessie Ruth Nelson, age 65, of Oakland, California, was charged today by separate criminal information with accepting over \$100,000 in bribes from Holiday and evading taxes on the bribe payments. A former officer of the company, Richard S. Hudec, age 44, of Naples, Florida, also was charged today by criminal information for a scheme to conceal material information from federal contracting officials – including four prior felony convictions – in connection with federal contracts worth over \$150 million and tax evasion.

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 just 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.”

“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.

### *Holiday - Bribery of GSA Official and Tax Evasion*

Holiday was the chief executive officer and owner of HIS, based in Silver Spring, Maryland, that provided federal facilities with physical security, primarily through armed guards. In May of 2003, HIS changed its name to USProtect Corporation. Nelson was a long-time GSA employee assigned to the Contracting Service of the Public Buildings Service, a branch of GSA. Nelson was responsible for contracting on GSA's behalf with private companies to provide security to GSA-managed buildings.

According to Holiday's plea agreement, 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 at a cost of more than \$30.5 million. 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.

Holiday admits that 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 admits to receiving substantial compensation from HIS and companies he controlled from 2001 to 2004. He failed, however, 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.

Francis L. Turner, Special Agent in Charge, IRS - Criminal Investigation stated, "The prosecution of 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."

Nelson is charged by separate criminal information with bribery in connection with above scheme. The information alleges that Nelson received over \$100,000 in cash bribes from Holiday, in addition to the Caribbean cruise. Nelson is alleged to have failed to report the cash bribes and other benefits she received from Holiday as income on her 2002 individual tax return and arranged to receive the bribes in cash and to deposit the cash in amounts less than \$10,000 at different financial institutions to evade the requirement that banks report transactions involving \$10,000 or more.

#### *Holiday - Transporting Child Pornography*

According to Holiday's plea agreement, 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 depicting a prepubescent female conducting oral sex on an adult male.

#### *Hudec - Allegedly Concealed Material Information to Obtain Over \$150 Million in Federal Contracts and Tax Evasion*

According to the information filed against Hudec, Hudec's wife purchased HIS in May 2003 and HIS's name was changed to USProtect Corporation. By 2005, the company provided armed and unarmed security guards for 18 federal agencies at 120 installations in 32 states and territories. From 2001 through February 2005, Hudec assisted in preparing and submitting the company's proposals to provide security to federal agencies. As of October 2001, Hudec had been convicted of fraud in four separate federal criminal prosecutions and had numerous civil judgments for fraud and false statements entered against him.

The Hudec criminal information alleges that in connection with the company's proposals, Hudec, as either the chief financial officer or chief operating officer of the company, caused the company to falsely certify in 2002 and 2004 that no principal of the company had a civil judgment for fraud or false statements rendered against him within the three years preceding the company's proposal to provide physical security to: the SSA facilities in Baltimore, resulting in SSA awarding the company the SSA contracts described above worth more than \$50 million; and the FBI Academy in Quantico, Virginia, resulting in the FBI awarding the company contracts worth \$3.5 million.

In November 2002, the same false certifications were also allegedly made in the company's application to GSA to be eligible for contracts under the Federal Supply Schedule, which lists contractors from which federal agencies may purchase products or services in an expedited fashion. Based on the company's application, GSA listed the company on the Federal Supply Schedule and beginning in 2004, the company was awarded several federal security contracts, including more than \$100 million in contracts to provide security to more than 12 bases operated by the U.S. Air Force.

The Hudec information alleges that as a result of this scheme, Hudec caused the company to reap more than \$150 million from contracts procured through proposals that concealed the prior judgments against Hudec. From the proceeds of these contracts, Hudec caused the company to pay him millions of dollars in compensation and loans. Count Two of the information charges Hudec with failing to report more than \$500,000 in income from the company on his 2002 individual tax return.

An information is not a finding of guilt. An individual charged by information is presumed innocent unless and until proven guilty at some later criminal proceedings.

Nelson and Holiday face a maximum sentence for bribery of 15 years in prison and a fine of \$250,000 or three times the value of the bribes. Hudec faces a maximum sentence of five years in prison for concealing material information. All three defendants face a maximum sentence of five years in prison and a fine of \$250,000 for tax evasion. Holiday also faces a minimum sentence of five years and a maximum sentence of 20 years in prison for transporting child pornography.

U.S. District Judge Deborah K. Chasanow scheduled Holiday's sentencing for January 23, 2008 at 2:00 p.m. Court appearances for Nelson and Hudec on the charges contained in the criminal information have not yet been scheduled.

In October 2006, the Deputy Attorney General announced the formation of a National Procurement Fraud Task Force designed 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 Assistant Attorney General Alice S. Fisher for the Criminal Division - 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 are prosecuting the case.

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