



The United States Attorney's Office

Southern District of Texas

News Release

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COMPANY, OWNER AND THREE OTHERS INDICTED FOR CONSPIRACY, TAX FRAUD, AND OTHER CHARGES

(HOUSTON, Texas)- John F. Heard Jr., Gary L. Lambert, William M. Lane, John B. Bailey, all of Houston, and Superior Protection, Inc. (SPI) were indicted by a grand jury for conspiracy to defraud the United States of employment taxes, bribery, failure to pay prevailing wages, tax evasion, filing false tax returns and causing a firearm to be present in a federal court facility, United States Attorney Don DeGabrielle announced today in coordination with the United States Department of Justice (DOJ) and the Internal Revenue Service (IRS). The indictment, returned Oct. 9, 2008, was unsealed today

"When our treasury is victimized, we all suffer economically," DeGabrielle said. "Business owners know the rules and fortunately, most abide. Today's indictment should be a chilling reminder to any who do not."

"Employers are generally required to withhold money from their employees' paychecks and pay those funds over to the federal government to satisfy federal employment tax obligations," said Nathan J. Hochman, Assistant Attorney General for the Justice Department's Tax Division. "Defrauding the government out of employment taxes is a federal crime that can land the employer in prison for years and result in the employer having to pay the taxes back with interest and penalties, as well as being branded a felon for the rest of his or her life. The government is committed to investigating, prosecuting and bringing to justice those employers who fail to meet these important obligations."

According to the indictment, John Heard has operated and controlled numerous private security companies, including SPI, since 1987. Gary Lambert and John Bailey worked as the controller and/or chief financial officer of SPI and advised Heard and his security companies. William Lane was the operations manager of SPI.

According to the indictment, Heard failed to pay employment taxes totaling more than \$5.7 million since 1987. Heard and Lambert opened and closed companies and used the names of fictitious people on corporate documents and forms filed with the IRS in an effort to impede the IRS. Heard, Lambert and Bailey filed or caused to be filed false tax returns with the IRS which significantly overstated the amount of employment taxes that had been paid by the private security companies, including SPI. The indictment also charges John Bailey with four counts of willfully making and subscribing to false Employer's Quarterly Tax Returns that he submitted for SPI.

"The tax law is very clear," said Eileen Mayer, Chief, IRS Criminal Investigation Division. "Employers who withhold employment taxes from the salaries of their employees must pay those taxes over to the government. Failure to do so creates an unfair competitive

advantage over businesses that follow the law, and the IRS works to assure a level playing field for all by investigating the kind of illegal activity outlined in this indictment.”

According to the indictment, Heard, Bailey, Lane and SPI failed to provide required firearms training to guards and failed to pay the guards correctly. Heard, Lane and SPI are also accused of having offered gratuities and bribes to a government official in exchange for favorable treatment in bids for government contracts. The indictment further alleges Heard, Bailey and SPI routinely failed to pay overtime, prevailing wages and other benefits to the security guards as required under federal contracts.

Heard and Lane are further charged with providing an illegal gratuity to a public official, bribery of a public official and causing a firearm to be present in a federal court facility. Finally, the indictment alleges Heard evaded his personal income taxes in 2001 and 2003.

Each of the two conspiracy counts and each of the two tax evasions counts against Heard carries a maximum of five years imprisonment upon conviction. Heard and Lane face a maximum punishment of 15 years imprisonment upon conviction of the bribery charge. The gratuity and firearms charges each carry a maximum sentence of two years imprisonment. Bailey faces up to three years imprisonment on each of the four counts of filing a false return upon conviction. Each of the 11 charges alleged in the indictment also carries a maximum \$250,000 fine upon conviction.

Heard, Lambert, Lane and Bailey were all arrested this morning by federal agents. They all made their initial appearance this afternoon before U.S. Magistrate Judge Frances H. Stacy and each was ordered released on a \$50,000 bond. Arraignment has been set for Wednesday, Oct. 22, 2008.

The case was investigated by the IRS; the Bureau of Alcohol, Tobacco, Firearms and Explosives; the Department of Homeland Security - Office of Inspector General; and the Federal Protective Service. The case is being prosecuted by Assistant U.S. Attorney Mark McIntyre and DOJ Tax Division Trial Attorney Todd Ellinwood.

An indictment is a formal accusation of criminal conduct, not evidence. A defendant is presumed innocent unless convicted through due process of law.

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