

U.S. Department of Justice

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Press Release

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Paul J. McNulty, United States Attorney for the Eastern District of Virginia, announced today the arrest of two former high-level Pentagon officials, Robert Lee Neal, Jr., 50, of Bowie, Maryland, and Francis Delano Jones, Jr., 40, of Fort Washington, Maryland, this morning, on charges of extortion, bribery, money laundering, witness tampering, and related offenses.

According to an arrest warrant affidavit unsealed today:

Robert Lee Neal, Jr. ("Neal"), was the Director of the Office of Small and Disadvantaged Business Utilization ("SADBU") within the Department of Defense ("DoD"). Neal served in this position (a political appointment as a Senior Executive Service Level V) from about June of 1996 until about June of 2001. Francis Delano Jones, Jr. ("Jones"), was Neal's executive assistant. Neal and Jones are no longer employed by the U.S. Government.

SADBU is the office within DoD chiefly responsible for the administration of acquisition preference programs within DoD. The acquisition preference programs administered by SADBU include the DoD Pilot Mentor Protege Program, and the Small Business Administration ("SBA") 8(a) Business Development Program ("8(a) Program").

Neal and Jones, by virtue of their official positions within SADBU, exerted tremendous influence over individuals and companies seeking to do business within DoD. Neal controlled the administration of \$28 million in Mentor Protege funds annually. Neal and Jones could substantially influence whether a prospective mentor/protege applicant was accepted or denied participation in the Mentor Protege Program. Neal and Jones also had influence over the award of SBA 8a contracts. They also had direct influence over contractors which contracted to provide services and/or materials to SADBU.

According to the affidavit for the arrest warrant, Neal and Jones engaged in a wide-range of criminal activities during their tenure at DoD, in which Neal and Jones abused their official positions for their own private enrichment. Though the purpose of SADBU was to support acquisition preference programs, Neal and Jones used their official positions within SADBU as leverage to receive illegal extortion payments, bribes, and gratuities from DoD contractors seeking to participate in acquisition preference programs. Neal and Jones coordinated their

illegal activities, and worked together as partners. Neal and Jones also conspired with others in a sophisticated scheme to launder the proceeds of their illegal activities, by use of nominee companies, offshore bank accounts, and multi-layered sham transactions. They also conspired to embezzle over \$100,000 in funds from federal programs. The proceeds of their crimes exceeded \$1.1 million dollars.

The warrant affidavit also supported search warrants for the residences of Neal and Jones. These search warrants were executed this morning by agents of the DCIS and the FBI. Among the items recovered from the searches, were a) \$7,000 in cash recovered from Jones's residence; and b) gold Rolex watches from the residences of Neal and Jones, which, according to the warrant affidavit, were purchased for Neal and Jones, during their tenure at DoD, by an individual whose company held contracts with DoD over which Neal and Jones were in a position to exert influence.

United States Attorney Paul J. McNulty issued the following statement:

"Those who hold public offices at high levels of the Pentagon, owe the highest duties of loyalty to the public, and to our men and women who have the distinction of serving in uniform. According to the warrant affidavit unsealed today, Robert Neal and Francis Jones abused their public offices, for their own private enrichment. In doing so, they took advantage of the very disadvantaged business people whose interests they were supposed to promote within the Department of Defense.

Those who have been granted the privilege of serving at the highest levels of public office need to understand that if they betray the public trust and duties of their office by committing crimes such as bribery and extortion, they will be prosecuted."

This case is being investigated by agents of the Defense Criminal Investigative Service and the Federal Bureau of Investigation. The prosecution of this case is being handled by Assistant United States Attorney Matthew Friedrich.

Copies of the affidavit, search warrants and arrest warrants can be found on the EDVA web site later this afternoon.