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NEWS RELEASE

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Paul J. McNulty, United States Attorney for the Eastern District of Virginia, announced today that a jury returned guilty verdicts on all counts in a public corruption prosecution against former senior Pentagon officials Robert Lee Neal, age 50, of Temple Hills, Maryland, and Francis D. Jones, age 51, of Fort Washington, Maryland. Neal and Jones were convicted of conspiracy to commit money laundering, money laundering, and conspiracy to obstruct justice.

Jones was also convicted of conspiracy to commit multiple offenses (including extortion, bribery, gratuity, false statements, major fraud against the United States and wire fraud), and substantive extortion and false statement offenses.

Senior District Judge James Cacheris set the sentencing hearing for October 3, 2003. Upon return of the verdict, Judge Cacheris incarcerated both defendants.

Both Neal and Jones face maximum penalties of 20 years incarceration on each of five counts of conviction and five years on each of the remaining counts. Neal's total exposure is 125 years; Jones' total exposure is 120 years. Each defendant faces a fine of \$250,000 on each of the counts.

Prior to the trial, which began on June 30th, Neal entered an "Alford plea" to seven of the ten charges against him, including charges of extortion, conspiracy to commit bribery and other offenses, as well as making false statements on executive branch financial disclosure forms. An Alford plea, which constitutes a criminal conviction, allows a defendant to deny guilt while acknowledging sufficient evidence to convict him. Neal was tried, and convicted, on all of the remaining counts to which he did not plead guilty.

From June 1996 through June 2001, Robert Neal served as the Director of the Office of Small and Disadvantaged Business Utilization (SADBU) within the Office of Secretary of Defense. From this position, Neal directed policy and allocated multimillion dollar resources for DOD's acquisition preference programs for small and disadvantaged businesses. Francis Jones served as Neal's special assistant from May 1999 until January 19, 2001.

Neal and Jones conspired to extort and to accept bribes and gratuities from companies and individuals doing business with the SADBU office. Among the items of value accepted by Neal and Jones were at least \$70,000 in cash, Rolex watches, paid sexual favors from prostitutes, expenses for travel to Las Vegas and elsewhere, hotel rooms and at least \$200,000 in payments

to third parties intended for the benefit of Neal and Jones. They also conspired to embezzle funds which belonged to the United States government.

Neal and Jones used a complex maze of companies, bank accounts and financial transactions to accomplish the objectives of the money laundering conspiracy. Neal and Jones used a company called Northpointe Telecom, in which Jones was an officer, to serve as a repository for criminal proceeds, to transfer criminal proceeds to offshore bank accounts located in Liechtenstein, and to maintain a slush fund used for expenditures for the benefit of Neal, Jones and their coconspirators, including credit card payments, payments on a real estate timeshare, and travel expenses.

Neal and Jones filed false Executive Branch Financial Disclosure Reports wherein they failed to disclose their receipt of cash payments made to them by private companies doing business with the SADBUD office. Jones also failed to disclose his interest in Northpointe.

Finally, Neal and Jones conspired to obstruct the grand jury's investigation, to commit witness tampering, and to make false statements to law enforcement agents.

The jury also ordered that Neal and Jones forfeit \$2,000,000 in criminal proceeds and a \$46,000 BMW automobile purchased by Jones.

United States Attorney Paul J. McNulty stated: "It is the ultimate insult for someone charged with helping minority and disadvantaged businesses to shake them down."

The investigation was conducted by special agents of the Federal Bureau of Investigation and the Defense Criminal Investigative Service. The case was prosecuted by Assistant United States Attorneys Matt Friedrich and Steve Learned.