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Former Senior Executives of Latin Node Inc. Charged with Bribing Honduran Officials and Money Laundering

WASHINGTON – Jorge Granados and Manuel Caceres, the former chief executive officer and the vice president of business development, respectively, for Miami-based telecommunications company Latin Node Inc. (LatiNode) have been indicted for allegedly paying more than $500,000 in bribes to government officials in Honduras, announced Assistant Attorney General Lanny A. Breuer of the Criminal Division; John V. Gillies, Special Agent in Charge of the FBI's Miami Division, and Anthony V. Mangione, Special Agent in Charge of U.S. Immigration and Customs Enforcement (ICE) Homeland Security Investigations (HSI), Miami Field Office.

Granados, 54, and Caceres, 64, are charged with criminal violations of the anti-bribery provisions of the Foreign Corrupt Practices Act (FCPA), and international money laundering. The 19-count indictment, returned by a federal grand jury in Miami on Dec. 14, 2010, was unsealed today. The defendants were arrested today in Miami and made initial appearances in U.S. District Court for the Southern District of Florida.

"Foreign bribery, like domestic corruption, breeds instability and undermines democratic processes," said Assistant Attorney General Breuer. "As this indictment and the previous guilty plea by LatiNode show, the department is committed to holding accountable individuals and companies alike for alleged foreign bribery schemes."

"This new indictment represents the FBI's commitment to investigating not just the corrupt acts of a corporate entity, but the individuals who are behind it," said John V. Gillies, Special Agent in Charge, FBI Miami Division."

"Anyone who believes paying bribes in foreign countries is just the cost of doing business should think about the repercussions – whether it is worth going to prison," said Anthony V. Mangione, special agent in charge of ICE Homeland Security Investigations in Miami. "ICE HSI's Foreign Corruption Investigative group will continue to provide resources and support to our international partners in this public corruption battle in an effort to maintain fair and honest business practices between our country and other nations."

According to court documents, LatiNode provided wholesale telecommunications services using Internet protocol technology to countries throughout the world, including Honduras. In December 2005, LatiNode learned that it was the sole winner of an "interconnection agreement" with Empresa Hondureña de Telecomunicaciones (Hondutel), the wholly state-owned telecommunications authority in Honduras. The agreement permitted LatiNode to use Hondutel's telecommunications lines in order to establish a network between Honduras and the United States and provide long distance services between the two countries. LatiNode was required to pay Hondutel a set rate per minute for calls to Honduras.

According to the indictment, soon after winning the contract with Hondutel, the defendants sought a reduction in the rates payable to Hondutel. The defendants also learned that a newly elected high-ranking government official's friend had been made a manager of Hondutel, who considered rescinding the agreement with LatiNode. Caceres allegedly informed Granados and another LatiNode executive by e-mail that "it would be necessary to 'give' something to the [Hondutel] general manager [ ]. I will try this with [the manager]." Caceres said that he would "meet with these criminals," adding "But I will solve this problem for you, I promise. Not only will we get a PP rate (preferential of preferentials) but the capacity we need. I have some things to reveal to them in exchange for what I'm going to ask of them."

According to the indictment, the defendants and other LatiNode executives agreed to a secret deal to pay bribes to the manager, as well as to a senior attorney for Hondutel who acted as the manager's "straw man," and to a minister of the Honduran government who became a representative on the Hondutel Board of Directors. The alleged bribes were paid in exchange for keeping the interconnection agreement in place and receiving reduced rates and other economic benefits from Hondutel. Between September 2006 and June 2007, the defendants allegedly paid more than $500,000 in bribes to the officials, concealing many of the payments by laundering the money through LatiNode subsidiaries in Guatemala and to accounts in Honduras controlled by the Honduran government officials.

As the payments grew, according to the indictment, the defendants allegedly became concerned about the rising costs of the scheme and the possibility of detection. On one occasion, according to the indictment, Caceres forwarded to Granados an e-mail from the senior attorney, identifying four bank accounts to receive the bribe payments. Caceres told Granados, "I recommend sending [the manager] $100,000 tomorrow to the bank accounts and in the amounts according to the instructions in [the senior attorney's] e-mail. We have stretched the rope to the maximum, but we are reaching the limit and we don't want to break it. This payment will create tolerance for any late payments to Hondutel, avoiding the removal of capacity; on the contrary, it will help to get them to increase it for us." According to the indictment, Granados approved the payments, and another LatiNode executive facilitated the wire transfers.

In early 2007, according to public filings, eLandia International Inc., announced an agreement to acquire LatiNode. The indictment alleges that t he defendants took additional measures to conceal the illicit payments during the acquisition due diligence process. Specifically, according to the indictment, Granados allegedly urged Caceres to formalize the secret rate reduction deal with the Honduran officials, as the issue could cause a "HUGE" problem during the process. The defendants also allegedly urged the Honduran officials to sign fraudulent "consulting contracts" that would disguise the true nature of the relationship. Caceres explained to the officials in an e-mail that, "[n]o government official (from Hondutel or from the government) can appear" on the consulting contract, and that future payments "will come from eLandia through Servicios IP, a firm of ours in Guatemala."

On April 7, 2009, LatiNode pleaded guilty to a one-count information charging the company with a criminal violation of the FCPA. As part of the plea agreement, LatiNode agreed to pay a $2 million fine. The resolution of the criminal investigation of LatiNode reflected, in large part, the actions of eLandia in disclosing potential FCPA violations to the department after eLandia's acquisition of LatiNode and discovery of the improper payments.

The conspiracy to commit violations of the FCPA carries a maximum penalty of five years in prison and a fine of the greater of $250,000 or twice the value gained or lost. The FCPA counts each carry a maximum penalty of five years in prison and a fine of the greater of $100,000, or twice the value gained or lost. The conspiracy to commit money laundering count and the money laundering counts each carry a maximum penalty of 20 years in prison and a fine of the greater of $500,000, or twice the value of the monetary instrument or funds involved in the offense. The indictment also gives notice of criminal forfeiture.

The case is being prosecuted by Senior Litigation Counsel Jeffrey H. Knox and Trial Attorney Amanda Aikman of the Criminal Division's Fraud Section. The case was investigated by the FBI's Miami Field Office and HSI Foreign Corruption Investigations Group in Miami.

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