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Drug money trailed to Utah

By Matt Canham and Pamela Manson
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Operation Utah Powder reads like a Hollywood script full of international drug cartels and money laundering, with the added twists of cash flowing to terrorists and former LDS missionaries.

But the story is true and hit a former Utahn with real-life consequences. On Monday, Mario Roberto Hernandez, 45, was ordered to spend more than seven years behind bars for his role in a sophisticated scheme that put millions into the pockets of drug traffickers and helped fund a South American guerrilla group, the Revolutionary Armed Forces of Colombia -- People's Army, known as FARC-EP.

Hernandez and three others in Utah, including his wife, have either been convicted of or pleaded guilty to laundering more than \$5 million since January 1998. The investigation, which began in Utah, has led to arrests in Utah, New York, California, Colombia and Spain.

U.S. District Judge Dale Kimball, describing the case as "truly extraordinary" because of Hernandez's extensive cooperation, handed down a sentence of less than half the maximum. Hernandez, a naturalized U.S. citizen from Colombia, could have gotten 17 1/2 years in prison but instead received a sentence of 87 months, or 7 1/4 years. The judge also imposed a fine of \$50,000.

The cooperation took place under the guidance of FBI agents and included e-mails to Colombian contacts, more than 100 recorded telephone conversations, trips to pick up almost \$1 million in cash, and testimony before three grand juries and in a November trial in New York City. Hernandez helped identify at least 11 individuals suspected of being involved in drug trafficking and money laundering, according to Eugene Casey, a special agent with the FBI who supervised the investigation.

"Mr. Hernandez basically did everything the government asked him to do," Casey testified before Kimball imposed sentence.

The U.S. Attorney's Office for the Southern District of New York also asked for a reduced term for Hernandez because of his help.

Hernandez told Kimball that he accepts responsibility for his actions. "I'm a different person now," he said. "I've turned my life around."

"We trusted him": The money-laundering operation came to light during a 1996 FBI investigation into an alleged loan scam by then-Sandy resident Tomas Martinez. The probe soon branched out to include Hernandez and his wife, Janeen Beck Hernandez, both former missionaries for The Church of Jesus Christ of Latter-day Saints, who met Martinez through LDS functions.

Martinez, a native of Spain who opened International Business Services in Utah in 1993 and later made Mario Hernandez executive vice president of the company, was accused of scamming victims in countries such as Spain, Germany and Portugal, according to court documents.

Two alleged victims, a Canary Island couple who said he stole \$60,000 from them, say they trusted Martinez because of his leadership positions with the LDS Church, where their children had been baptized.

"We trusted him because . . . he was Mormon. It was stupid, but we did," Marcela Osorio Mejia told The Salt Lake Tribune in 1997.

That same year, a mission president in Barcelona wrote Martinez's LDS Church stake president in Sandy to

tell him that an action had been filed against the businessman in Spain accusing him of fraudulent activities.

In February 1998, detectives searched Martinez's Sandy home and found a stack of money orders used in the laundering conspiracy. Martinez admitted his role and helped investigators bust Hernandez.

In a stipulation of facts filed with the federal court, Mario Hernandez admits that he and Jairo Vanegas -- a former LDS Church employee in Colombia who moved to Draper -- established contacts with Colombians who they knew were profiting from illegal drug trafficking in the United States.

Briefcases full of cash: The two men, along with Janeen Hernandez, agreed to structure financial transactions to channel drug profits into their numerous bank accounts and, in exchange for a percentage fee, either wire the money or personally carry the money to the Colombians. The three recruited Martinez to help them, the stipulation says.

At the time, Mario and Janeen Hernandez lived in Sandy and operated GEA USA, which they said was a dinnerware import company, according to a 2002 federal indictment unsealed last spring. Much of the money laundered in Utah went through GEA USA and International Business Services.

Mario Hernandez says in the court stipulation that he, his wife, Martinez or Vanegas would travel to New York to pick up briefcases full of cash from anonymous couriers. They funneled the money into bank accounts in Utah, Nevada and California, and later wired it to the accounts of drug traffickers, usually in Miami and Panama.

The FBI says that a portion of the profits from the cocaine exports, which were sold mostly in New York and Texas, went to recognized terrorist groups, including FARC and the United Self-Defense Forces of Colombia (AUC), a right-wing group that was paid protection money.

At Monday's sentencing, Casey testified that authorities believe the four got less than 10 percent of the \$1.1 million laundered in Utah and split the total. Mario Hernandez's share probably was less than 5 percent, or under \$50,000, the agent said. It is unknown how much he profited from his money-laundering activities elsewhere.

FBI agents arrested the Hernandezes in California in January 2002, a few days after a federal grand jury in Utah handed down the 146-count indictment, and seized nearly \$660,000 from their bank accounts. Later that year, Mario and Janeen Hernandez each pleaded guilty to three counts. Their case records were sealed while the investigation of the Utah drug and money-laundering ring continued. The international investigation is ongoing.

The charges in the indictment stemmed from the couple's activities in Utah. Mario Hernandez was accused by authorities of laundering money while living in California for another group of Colombian narco traffickers, but federal prosecutors brought no charges for those activities because of his help in dismantling the money laundering operation.

Mario and Janeen Hernandez now live in California with their two daughters, defense attorney Jack Morgan Jr. said, and run a mortgage company that made \$250,000 in the first nine months of last year. The sentencing of Janeen Hernandez, 44, is pending.

Vanegas, 50, who formerly lived in Draper and Salt Lake City, was indicted in Utah in February 2002 on charges of money laundering and money laundering conspiracy. He pleaded guilty to laundering \$430,000 in illegal drug money and was sentenced in January 2003 to nearly four years in prison. Authorities expect to deport him to his native Colombia at the end of his term.

Martinez, 45, who was indicted in March 2000, pleaded guilty to money laundering and wire fraud and was sentenced to serve 52 months in prison and pay \$812,205 in restitution. He also is slated for deportation after serving his time.

Seven others have been charged in the ongoing investigation, and five others have been arrested. Investigators have also seized 13 kilos of heroin.

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Colombian black market peso exchange

1. Kilos of cocaine are smuggled into the United States.
2. The cocaine is sold in New York City.
3. Briefcases full of cash are given to money launderers on New York City streets.
4. Money launderers take the cash to Utah and, after taking a 10 percent cut, deposit amounts smaller than \$10,000 (to avoid federal detection) into multiple accounts they control.
5. Colombian drug traffickers strike a deal with a Colombian company through a money broker.
6. The Colombian company buys legitimate computer hardware or cars from a U.S. company, but has to pay for the goods in U.S. dollars.
7. The Colombian drug traffickers ask the money launderers in Utah to wire the drug profits to the U.S. company for payment.
8. The Colombian company in turn pays a discounted amount to the drug traffickers in Colombian pesos.

Under this method, the drug money never leaves the United States but the cartel still gets its profits.

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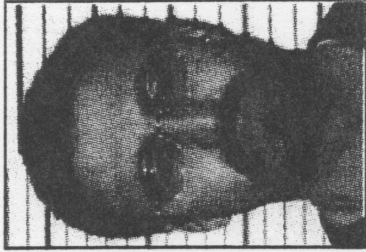
Mario Hernandez



Janeen Hernandez



Tomas Martinez



Jairo Vanegas

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