

(Sound of vault opening)

Hillel Aron: Like many Americans, Linda Martin and her husband Reggie were saving up to buy a house. And they were able to save a lot of money – \$40,000. And for a while, they just kept it around in cash. They wanted to put their money somewhere, but they didn't want it in a bank. Linda says she didn't want to be tempted to spend it.

Linda Martin: I didn't want the money in my hands or anywhere near my hands. Accessible in my, you know, just, I didn't want it, like I said out of sight out of mind.

HA: So, in 2020, Linda and Reggie decided to find a safety deposit box to put their cash in. And they found a business called U.S. Private Vaults, a nondescript store front in a strip mall. Inside there was just rows and rows of shiny silver safety deposit boxes. It was in Beverly Hills, far enough away that they wouldn't be tempted to dip into it, but close enough that they could get to it in an emergency. Linda says there was something else about the place that she really liked.

LM: Well, I thought was kind of cool to have the scanner, the eye scanner.

HA: Just tell me about that. They had an eye scanner? I didn't know about that.

LM: Yes, they had eye scanner, and you can only go in one at a time. You know, and I just thought it was cool. You know, you see all the stuff in the movies, you know, you like oh, okay, let me try that.

HA: The cash just sat there, and for Linda, it really was out of sight out of mind. She didn't think about it. Until one night in March 2021.

News clip: We have some more breaking news for you, this time in Beverly Hills where the FBI executed a search on a business on Palm Drive and Olympic Boulevard.

LM: Well, my husband was watching the news. And he just said, Linda or babe, I can't remember which one. And he said, he pointed to the TV and he said, that's our place. That's our place. That's where we have our money. And um, I looked, I came over and looked at the TV. And I said no, I said no, it can't be like, and I sat down and I just continued to watch the news.

News clip: Agents were seen going in and out of a company called U.S. Private Vaults on that corner. They were also seen hauling in tables from a van.

LM: Reggie said, let's, let's go down there. And I was like, yes. Come on, let's go. So, we hopped in our car. And we drove down there and they had everything blocked off of course, you know the shopping center. And we finally got a chance to talk to one of the agents, and we gave you know, of course, they can't tell us what happened or anything.

HA: Was he wearing like a SWAT team...

LM: Yes, yes, they were, they were suited up.

HA: Like a bullet proof vest?

LM: Yes. Like, I don't know, if they were looking for a bomb. I have no idea. But we gave them our information and gave them our box number, my email address. And we didn't hear from them probably say, I don't know, it was so long ago. I want to say three months. My husband said they robbed us. We're

not getting our money back. It's gone. And I kept thinking like, why are you thinking so negative? Like, we didn't do anything. Like, we're going to get our money back. So, I never had any doubt and I still don't have a doubt that we will get our money back.

HA: Linda never would have guessed that two years later, she still wouldn't have gotten her money back. Or that she would be thrown into a Kafka-esque corner of the American legal system known as civil forfeiture.

(Intro music)

Amanda Pampuro: Welcome to Sidebar, a podcast from Courthouse News. I'm your host Amanda Pampuro. That was Los Angeles reporter Hillel Aron. Here he is with the rest of that story. Hi Hillel.

HA: Hey Amanda.

AP: Let's start with some basics. Where did Linda leave her money?

HA: The business was called U.S. Private Vaults, and aside from the iris scanner, it was pretty basic. They rented out safety deposit boxes, just like a bank would. But they did offer one thing that a bank doesn't: complete anonymity.

AP: If you want to rent a safety deposit box in a bank you have to give your name, Social Security number, photo ID...

HA: Right. U.S. Private Vaults – or USPV – actually advertised on their website: Complete Privacy, NO ID required. The site even said, "The less we know the better."

AP: Intriguing!

HA: Exactly.

AP: So, Linda earned her money legally, but were there like a lot of other people stashing their money there that were criminals or something?

HA: Some definitely were, I think that's safe to say. A lot of what we know comes from the Department of Justice's search warrant, which is, I should say 120 pages long, highly entertaining, reads like some cheap Sopranos spin-off. There's a number of drug dealers and money launderers, there's a guy who runs an organized crime outfit called O-DOG Enterprise, there's a guy that is the CEO of Phantom Secure, which provided encrypted communications devices to drug trafficking organizations. There's health care fraud, there's dark-web drug trafficking, there's a possible Ponzi scheme. There's even an investigation into a possible Russian spy. And it looks like law enforcement, in the course of investigating these unsavory characters, kept being led to U.S. Private Vaults. They'll see a suspect go in and go out a couple of times, or they'll hear about it from an informant. And the feds keep serving search warrants for individual boxes there.

AP: Who is running this place?

HA: These two guys, Mark Paul and Michael Poliak, who the FBI start investigating. And according to the feds, these guys are fully aware of who their customers are and even market their business to criminals. According to the search warrant, Mark told an FBI agent that the best USPV customers are quote, bookies, prostitutes and weed guys. Michael, who bought half of USPV in 2019, is called a quote

professional criminal in the search warrant. He's into marijuana distribution, money laundering, some Covid-era PPP fraud, all sorts of stuff. At one point, Michael sells 1,000 marijuana vape cartridges to another FBI cooperating witness and discusses "Flavado."

AP: Flavado?

HA: Yeah, flavored cocaine, according to Michael, women love it. And in particular, he recommends the strawberry flavor.

AP: So, the feds think the owners are criminals and they think their customers are criminals, so they gotta do something.

HA: Right. And in March 2021, a grand jury indicts U.S. Private Vaults – the business – for conspiracy to launder money, conspiracy to distribute controlled substances and a couple other things. And that's when the FBI gets a warrant to search the business and seize evidence, contraband and fruits or instrumentalities of the alleged crimes.

AP: And this is how Linda, who was saving up to buy a house, winds up seeing her storage facility on the news one night.

HA: Exactly.

AP: OK, so the feds go in, they bust the place up, they take all the stuff that's stored there and then there's gotta be some process for sorting out what belongs to whom, and which boxes are connected to criminal activity and which ones belong to regular people like Linda, right?

HA: You would think that. We don't really know what investigators actually thought. But if you read the search warrant it sounds like they think that most if not all U.S. Private Vault customers are criminals. There's a part that reads quote there is no reason for non-criminal clients to use USPV. And then it says: "Only those who wish to hide their wealth from the DEA, IRS, or creditors would pay to store actual cash at a single storefront operation owned by the likes of Mark Paul and Michael Poliak." They're basically saying, non-criminals put their money in a bank. Only criminals pay someone to store cash. Here's a lawyer, Benjamin Gluck, who's represented about 30 U.S. Private Vault customers, on the investigators' reasoning.

Benjamin Gluck: I mean, they told that to me outright. That there is absolutely no legal reason as to why anyone would have cash. Which, I suppose is, you know, an opinion. It's not law. You know, you've been a government employee your entire career, you probably have never even dawned on you to hold cash for any reason. But, you know, if you ran away from Iran when the Shah fell, or if you grew up in the Soviet Union, or if you listen to Alex Jones and think that the banking system is going to fail. You know, there are a lot of reasons why people want cash. None of them illegal.

HA: Now, the Department of Justice and the FBI wouldn't talk to me for the story, surprise surprise. But I did speak to a guy named Steve Welk. He's in private practice now. But he was at the U.S. Attorney's office in Los Angeles for 26 years, and he actually worked on the underlying investigation of the U.S. Private Vaults case. He was able to shed some light on what the government was thinking.

Steve Welk: The argument that the government made in USPV was that, look, the government had information that USPV was a haven for criminals who are hiding illegal proceeds there. And there was

good reason to believe that, or there was not necessarily probable cause, but there was reason to believe that each of those boxes may have contained criminal proceeds or evidence of crime.

HA: Although he doesn't buy the idea that only criminals keep large amounts of cash.

SW: I think that's an unfortunate argument. I think it has terrible optics because if they really believe that I think it's always a stretch for the government to say, because some people are doing something illegal in this place, everyone must be doing something illegal. If that's what they thought, I think that was a material misconception on their part.

HA: So federal agents raid U.S. Private Vaults, and they're there for days, going through every single box. The lawyer for a couple dozen customers, Benjamin Gluck, would later obtain a video that law enforcement took of agents doing this inventory search of all the boxes, and he said the whole thing was completely disorganized.

BG: You know, there's a bunch of agents kind of squeezed into this narrow kind of space between two rows of boxes and they're trying to count gold coins like resting it on the back of a folding chair and you know and stuffs falling on the floor and it's just a complete mess, you know, a complete mess and you know, pulling open boxes and and stuffs going everywhere, papers, ripping stuff open. And a lot of stuff got lost. And that's part of this, frankly, fiasco.

HA: Meanwhile, people like Linda Martin are watching the news, going down there, and realizing that they can't get their cash back. Two other customers, Jeni Pearsons and Michael Storc are a married couple living in Marina del Rey. They had about \$25,000 worth of silver that they were keeping in a box at U.S. Private Vaults. They didn't find out about the raid until months after it happened.

Jeni Pearsons: The pandemic, you know, had happened. So, it seemed like oh, good. We have this bit of cash, you know, there which I was gonna go get in case, I don't know, it just seemed like the world was falling apart. So, I went there and there was literally, the place was closed and there was an eight and a half by 11 piece of paper on the door with like a website to go to for the FBI.

HA: Jeni went to the website, filled out a form – she was worried it was a scam, but eventually, she got a phone call from the FBI.

JP: So, someone from the FBI called me – a very unhelpful, young sounding woman. And she asked me a couple of questions. And my first reaction was like, oh my gosh, well, great. Well, I read what happened. And thank you for taking care of this terrible situation for you know, intervening, and I was like, I work right by the federal building. So, I'd be happy to come down whenever, anyways she says that the FBI is very busy. And they're going through, they're very busy cataloging all of these items. And they're going to call me back and she wanted to make sure that I had an outgoing voicemail message, because she said that they were having a heck of a time leaving messages if they there wasn't an outgoing message that said my name that they just wouldn't be able to get back to me. And that was kind of when I started freaking out and thinking this is really weird. At that time, I didn't even know what civil forfeiture was.

HA: Since then, she's learned quite a bit about civil forfeiture.

AP: OK, I'll bite. What is civil forfeiture?

HA: Forfeiture is basically when the government takes your stuff. And there's a few different kinds. There's criminal forfeiture. That's after someone is convicted, as part of the sentencing phase, the government can go and seize any ill-gotten gains from the person's crime, or whatever they used to commit the crime. Guns, drugs, money, that sort of thing. Civil forfeiture is a little different. Here's an example from Steve Welk, the lawyer who used to work for the Department of Justice. He says that if you bust up some criminal enterprise, you're not necessarily going to charge everyone involved in that organization.

Steve Welk: But these people that don't get charged, they have often made a lot of money from those illegal activities, and they shouldn't get to keep that money, just because it's not the government doesn't have the time and resources to prosecute them as well. So, the civil forfeiture scheme allows the government to go out, identify that property, that specific property that is subject to forfeiture because it was involved in the crime, or it's traceable to the crime, and go after it to forfeit that property under civil rules.

HA: In a lot of cases, civil forfeiture is never even contested. For example, if the FBI seizes a bunch of cash from a drug dealer, the dealer doesn't typically hire a lawyer to get it back. Now, civil forfeiture is controversial for many reasons. For one thing, local law enforcement agencies often get to keep the money they seize. This is Dan Alban of the Institute for Justice. They're like a libertarian version of the ACLU and they've been a staunch opponent of civil forfeiture.

Dan Alban: The police can sort of self-fund using forfeiture. And they can generate millions of dollars and off budget funds that can be spent on things that would never be approved by the city council or by the state legislature or by Congress. And so that's how you have those kinds of abusive expenditures on things like margarita machines and Zambonis.

HA: And that's real, right, the margarita machine and the Zamboni machine, I'm assuming you aren't just making that up.

DA: Those are actual examples of actual things forfeiture money was spent on, yes.

HA: Another big issue with civil forfeiture is that the government is basically just taking people's money and not really telling them why. And the people often have to hire an attorney just to get it back. I spoke to someone who's been through this who wasn't connected to the U.S. Vaults case. His name is Jerry Johnson. He's a trucker from Baltimore. He owns his own company, which started out as just him and a truck.

Jerry Johnson: I love it. Right now it's kinda not that great, but I love the industry. I just like seeing different places and delivering goods, I mean when you deliver the goods you know they're gonna go to people and make them smile. They're going to be happy that their delivery came.

HA: In 2020, Jerry wanted to expand his business. He decided to buy another truck and hire a driver. So, he took \$39,500 in cash – money he'd saved up for the last five years – put it in a cardboard box and flew to Phoenix to attend a vehicle auction. He had his sights set on a Peterbilt 579.

JJ: I thought it was a perfect time just to go out there and take advantage of the opportunity that was presented in front of me.

HA: Were you nervous to be carrying so much money?

JJ: No, I mean, I wasn't nervous. I just Googled on the internet was it legal to carry money, large sums of money.

HA: Jerry flies to Phoenix, gets off the plane, gets his bag, and a man stops him.

JJ: He said, can I talk to you? First I said, no. And then he pulled out his badge. And he's like, I'm such and such with the Phoenix Police Department and I turned around and he asked me was I carrying any drugs any weapons, did I have any large sums of cash. I told him yes, I had a large sum of cash. And he said, can you come with me? And I was like, sure, no problem.

HA: Jerry has a criminal record, two drug related convictions, but nothing since 2012, and he says he hasn't done drugs in a long time. But the detective told Jerry that he was being investigated for drug trafficking and money laundering. And he questioned him for about an hour. Jerry was getting pretty tired.

JJ: So he's like, man, look, if you want to get out of this, you're gonna give me let me have this money. So, I really don't know what's going on. He brought a piece of paper out and he said, sign this form. He brought a form and he said sign this form. I'm thinking it just said what happened in the airport and you'll be free to go after about an hour or so. I signed the form and he's like, OK, you're free to go. So, I asked him what was happening with my money. He said, you can't go with your money.

HA: Jerry was never charged with a crime. But the police took his money and kept it because they said they suspected him of a crime.

JJ: It just felt like all my work that I had put into this trucking, the trucking business was going down the drain. It really hurt. It was very frustrating because it wasn't like it was not not to do I couldn't go against them. They had my money.

HA: And just so we're clear, it's perfectly legal to travel domestically with any amount of cash. Here's Dan Alban again, from the Institute for Justice.

DA: You can travel with any amount of cash, it's not illegal to do so. But law enforcement frequently treats it as illegal because they just sort of assume anyone traveling with cash must be involved in drugs somehow. And so, they just work from that presumption. And, you know, don't bother to verify it. And then the vast majority of cases, you know, people lose their money because they can't afford to defend it. I mean, even here, Jerry hired an attorney and still lost.

AP: He lost?

HA: That's right, Jerry hired a lawyer and lost. Then the Institute for Justice got involved and represented him pro bono for the appeal, which they won. It took two years for Jerry to get his money back, and another year to get paid back interest on the money and his attorney's fees. And even though this seems like a happy ending, Jerry never did get to expand his business.

JJ: Back then, I could've bought that truck for between \$30-\$40,000. Right now I can't even buy that same truck for that price, it's like \$70,000 now.

AP: What about the U.S. Private Vault raid. Did those people get their money back?

HA: Most of the people who filed claims have. It took Jeni and Michael about a year to get their silver back, although they say they still haven't gotten their \$2,000 in cash that they had in the box.

Michael Storc: There is no way to prove that there's cash sitting in the box, they didn't take the silver and that was actually documented when they, you know, stole it. They went through and documented what's in there and that we had \$2,000 in cash in there, and that's just easy for some agent to put in their pocket.

HA: He says after they finally got their silver back, an agent offered to walk them to their car.

MS: They actually offered to give us, to escort us to our car with the stuff for safety purposes. And it's like, well, who's going to protect us from you?

HA: Benjamin Gluck, the attorney for a number of customers, says most of his clients were asked to provide receipts in order to get their stuff back – they were asked to essentially prove that they were the lawful owners.

BG: One client had a, kept his watch collection there, and he also had a bracelet that his grandmother had kept with her and hidden during the Holocaust. And it was a family heirloom. And he was holding it on behalf of the whole kind of all the cousins. And, you know, didn't know how he was going to tell them that after all these years and what she got it through, he lost this to the government. And when he got in touch with the government, the government wanted receipts for all the values that were in there.

AP: What about Linda, Linda Martin who's saving up for a house?

HA: Linda still has not gotten her \$40,000 back. There's one more twist in the story that shows just how confusing and frustrating civil forfeiture can be for the average American. It all comes down to a question she was asked on a form that came in the mail. The Department of Justice sent these notices out to U.S. Private Vaults customers after the raid, and they asked a question: Do you want to file a claim, or do you want to file a petition? Jeni and Michael, who had the silver, said they weren't sure which one to pick, but in the end they chose "file a claim."

JP: This forfeiture notice, it gave us two options that they suggested were really equal options to get back our money.

HA: Jeni and Michael got lucky. They picked the right option. That sent their case through civil judicial forfeiture. But Linda Martin chose door number 1: she filed a petition. What the form did not explain is that by choosing that option, she was essentially giving up her right to have a judge look at her case. Bob Belden is an attorney with the Institute for Justice, he's actually representing Linda now.

Bob Belden: That part of the notice is the only area on the whole document, which I think is three pages, the one that Linda got, that is the only place in a petition where it says anything about getting your property back. That's it. That's why Linda chose it. Linda, you know, looked at the petition, looked at the claim and thought, oh, yeah, well, you know, nobody here is telling me what I've done wrong. And this says I can get my property back. And so that's what I'm gonna go with. The notice doesn't tell you that by filing the petition, what you do as a legal matter, is concede the forfeit ability of your property.

HA: In March, Linda and the Institute for Justice filed a federal class action, in part to get Linda's \$40,000 back, but also to get a judgment that the FBI's notices that it sends out to people violate the Fifth

Amendment, which among other things protects people against self-incrimination. Here's Bob Belden again, Linda's attorney.

BB: At bottom, we're asking for the FBI to tell people who have gotten these notices the specific federal crime that the FBI says has been committed and the sort of specific factual basis linking the recipient of the notice to that crime. And as of right now, the FBI doesn't send that to anyone.

HA: And so, you filed this lawsuit, and you know, do you think you're gonna get the money back?

LM: I do. I think I will receive my money and I'm trying to help everyone else receive their funds also because I'm not the only box that they confiscated. It's just not right. I don't understand why everybody's box had to be, you know, taken out, it's just why I had to come forward and try to get it out there that this is still happening, you know, in the world and it's against the law already, but it's the government, so hey they do whatever they want.

HA: This is not the first time the Institute for Justice has sued over civil forfeiture. It's not even the first time they've sued over the U.S. Private Vaults raid. In 2021, they filed a different suit that said the search warrant violated the box holders' Fourth Amendment rights. The complaint compared the raid to quote the government breaking into every apartment in a building because the landlord was dealing drugs in the lobby. But they lost. A federal judge ruled last year that the search was proper. Here's Steve Welk, the former DOJ lawyer.

SW: I'm not here to say that the forfeiture system is perfect. It's not, it's a complicated and powerful law enforcement tool that is, I think, by its nature is susceptible to abuse by people who aren't really thinking about what they're doing. I do think, though, that the government, particularly the Department of Justice, is really focused on awareness of that and protecting people's rights.

AP: What happened to the guys who owned U.S. Private Vaults?

HA: The company pleaded guilty and shut down. But one of the ironies in this case – well I don't know if it's ironic, but it's just, I don't know, weird – is that no one went to jail. Neither of the two owners. They were never charged with any crime connected to U.S. Private Vaults. Here's the attorney for the customers, Benjamin Gluck.

BG: I've been a criminal defense lawyer for well over 20 years. And I was extraordinarily surprised to see such a, frankly illegal, but also just tone deaf, boneheaded move by the U.S. Attorney's Office. I just think it was inexcusable. I think it's disgraceful. I really do as a matter of law. And frankly, just as a matter of decency.

HA: One of the U.S. Private Vaults owners, Michael Poliak, did get some punishment. He agreed to let the government confiscate \$1.5 million from his own personal safety deposit box.

AP: That's a lot of Zambonis.

HA: And margarita machines.

AP: Looks like, even in the land of innocent until proven guilty, you should probably save your receipts. And if they tell you you don't need a lawyer, you still might. And sometimes your money just might be safer under the mattress. Almost makes you wonder whether there's a better way. On the next episode of Sidebar: Secession. Austin-based producer Kirk McDaniel takes us to the borders beyond borders.

We'll meet folks caught between urban and rural America, who dream of redrawing state boundaries around their political adversaries. Impossible? Wait and see. Subscribe to Sidebar by Courthouse News on Spotify and Apple Podcast. Please leave us a review with words! Follow Courthouse News and SidebarCNS on Twitter so you don't miss an update to these stories and more.

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