

Supervisory Special Agent's General/Primary/Subject Investigation Progress Record
(Optional Use)

1. Investigation Name: MARCHELLETTA GERARD C		2. Investigation Number: 580230198		3. Special Agent: PATRICIA L BERGSTROM		4. Cooperating Agent: Jack Lesso	
5. Date Assigned: 09/14/2002			6. Earliest Statute Date:			7. ECD: 04/30/2003	
8. Method of Proof Not determined				9. Representative: Bruce Malloy, Ted Robertson			
10. Prosecution Potential:		<input type="checkbox"/> Excellent		<input type="checkbox"/> Good		<input checked="" type="checkbox"/> Unknown	
11. Revenue Agent Report		Date Started:		ECD:		Date Completed:	
12. Allegation(s): Marchelletta owns large drywalling business (Circle Group LLC) in Alpharetta, GA, that specializes in large scale construction projects. In March 2001, U.S. Customs seized \$1.5 million in endorsed checks to Circle Group Ltd. (a Bahamian Co.) sent via Fed Ex to the Bahamas. Fed Ex package was valued at \$1.00. Circle Group LLC attorney asked Customs if Customs was going to contact IRS. Subsequent interview by Customs of a CI disclosed that Marchelletta was sending funds offshore to evade taxes.							

REVIEWS

INCOME AND TAX
(Update with each review)

TAX YEAR	TAX FORM	INCOME REPORTED PER RETURN	TAX REPORTED PER RETURN	INCOME/EXPENSE AMOUNTS FOR CRIMINAL PURPOSES	CRIMINAL TAX AMOUNTS

NARRATIVE COMMENTS

Date	Comments on Reviews and Field Visits
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REVIEWS (Continued)

Date	Comments on Reviews and Field Visits
3/2/02	TFIA tasked with researching IDRS on business entities and individuals. She has also obtained certified copies of certain courthouse records on residences owned by Jerry Marchelletta Jr. and [REDACTED] b7c Preliminary IDRS information on the business entities indicates a potential tax case.
3/19/02	No new activity; SA in trial prep.
4/10/02	No activity due to trial prep.
6/11/02	No activity due to an unrelated trial.
7/17/02	Subject reported income/salary of \$125,000 in 1999. Salary increased to \$140,000 in 2000. Tax years 2000 and 2001 are unfiled. In 1999, subject secured a \$600,000 mortgage to improve vacant residential real estate. In 2001, sold his residence for a substantial loss and secured a second mortgage of \$440,000 to complete the construction of a new residence on the aforementioned real estate. SA drive-by on real estate located a residence in excess of \$1 million under construction on 8 acres.
8/19/02	GJ expansion to CT counsel assigned to Linda Bourquin.
8/29/02	CT completed review and is forwarding eval memo to SAC. SCI package was forwarded for approval.
10/01/02	Advised by RO Hudley that he has a collection investigation on Circle Group and there were 914s on entity. SSA advised RO that Circle Group and its owners were of interest to CI and that any civil action should be discontinued. RO indicated he would comply.
10/30/2002	Trial prep on unrelated investigation.
1/3/03	SA located the corporation's website which listed on-going and completed projects to include the dollar value of the projects. No activity due to SA's involvement in trial preparation.
1-31-03	<p>Monthly Update by SA Bergstrom: In trial until 1-15-03.</p> <p>Subpoenas information received from: American Express, two CPA's in New York, several banks. In January 2003, I started reviewing information.</p> <p>In November 2002, we received 15 boxes of records from the Circle companies pursuant to subpoena. In January, I started reviewing/inventorying records.</p> <p>In December 2002, I contacted [REDACTED] b7c [REDACTED] Received 8 boxes of records for that project. In January I have started reviewing documents for relevant information/background/ possible interview of [REDACTED]</p> <p>In December 2002, I had Terry Kottwitz (controller of Circle) served with subpoena to provide handwriting exemplar. Kottwitz had written out Circle checks totaling over \$1 million to build new home for J. Marchelletta and was deposed in a civil lawsuit brought by builder of home. (b)7A, (b)3-6103(e)(7)</p> <p>(b)7A, (b)3-6103(a), (e)7; (b)7C, (b)6</p> <p>1-16-03: Contacted Congressman Johnny Isakson's office to obtain records provided by Circle when they requested an inquiry of status of investigation by Customs in summer of 2002. Records provided.</p> <p>1-21-03: Met with Circle defense attorneys and AUSA Nelan to discuss process of imaging computers requested by grand jury subpoena. Revised grand jury subpoenas to expand time frame from date of incorporation to present. Completed forensic form and submitted to SA Hinchman to assist with imaging. Scheduled meeting at offices of Circle on Saturday, Feb.8, 2003. Meeting with Circle attorneys, me, SA Jim Rodgers, and consulting firm who set up computer system at Circle.</p>
	<u>Monthly update by SA Bergstrom (2-14 to 2-28-03)</u>
	The last two weeks of February have been almost exclusively spent on reviewing records subpoenaed from Circle Industries. I need to get a complete list of accounting documents provided to assist CIS SA Rodgers in completing the imaging of the computers at Circle.

(b)7A, (b)3-6103(e)7

REVIEWS (Continued)

Date	Comments on Reviews and Field Visits
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(b)3-6103, (b)7A

I have also been compiling a list of records not provided by Circle. The most important item so far is a Bahamian bank account from 1999. Circle has only provided Bahamian accounts connected to the seizure by Customs. According to circle's website, the Bahamian projects totaled \$20 million. The monies accounted for in the bank account records produced come no where close to this amount (about \$4 million).

b7A, b5-delib process, b3-6103(e)(7)

A recent 11th Circuit court case, a/k/a the "Ghadoni" case, provides access to offshore accounts via court order to a target of an investigation. I have informed SA Nelan about the case. She is researching to see if we can do this.

2-25-03: Met with Revenue Officer Earl Hudley to request that he compile a list of every occasion that he obtained a payment from Circle and what that payment was for, i.e., income tax 9903, payroll tax 9812, etc.

63-6103(e)7, b7A; b5-delib process

b3-6103(e)7, b7A

b7A; b3-6103(e)(7)

Contacted by IRS agent



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7-31-03 Monthly update by SA Bergstrom

There has been limited investigation activity during the month due to other investigation priorities and OJI responsibilities.

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SSA asked me to divert my attention to short statute investigation transferred from NY. This investigation will be on hold except for working with RA Lesso to review subpoena records.

INVESTIGATION WORKPLAN for Oct., Nov. & Dec. 2003

Investigation Name: Gerard Marchelletta

Investigation Number: 580230198

Note: This workplan contains limited investigation activity due to deviation to address a short statute grand jury investigation recently assigned.

Investigative Step

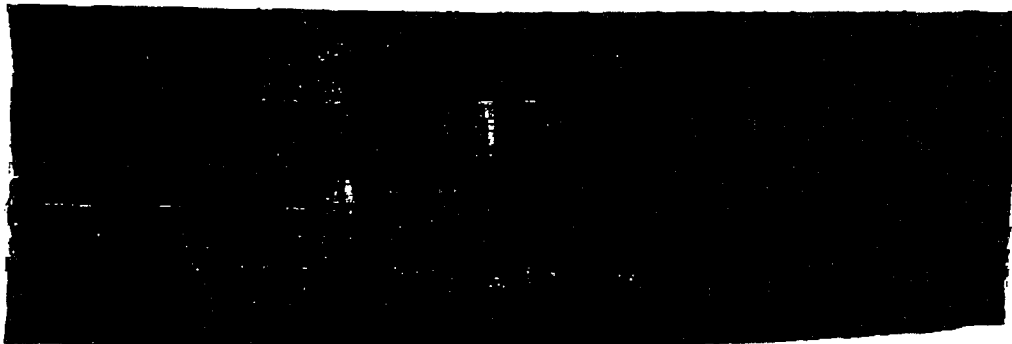
- 1 I will continue to monitor outstanding grand jury subpoenas to bank for production and follow-up for additional records.**
- 2 I will assign additional third party contacts for personal expenditures to both Harry Chavis and RA Jack Lesso**

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b3-6103(e)(7); b7A

June 2005 Update/ Marchelletta, Gerard

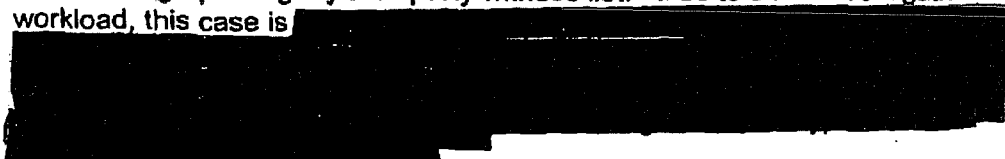
On June 16, 2005, I met with CT Counsel Roslyn Grand and CCR Cathy Conrad. We discussed the case in detail during which time I advised her that last year Marchelletta had paid in a total of \$1.5 million to the IRS. This amount was split into two and posted to both his 2002 and 2003 1040 accounts. Neither of these 1040 returns have been filed, thus the amount is posted as pending credits.



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b5-attorney client privilege; 7A; b3-6103(e)(7) We agreed that I keep her in the loop, as this investigation winds down.

The remainder of the month has been spent trying to get the investigation back on track. I have been re-contacting third party witnesses that had previously promised to follow-up with documents, provide additional information, etc. I am also revising/updating my third party witness list. Due to other investigation workload, this case is



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I have spent a few days this month on the search warrant affidavit for



The affidavit is completed and is now being reviewed at ICE headquarters. I will be submitting a risk assessment guide for myself and CIS

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Mike Anderson to participate in the execution of the search warrant. [REDACTED] case is being assigned to SA Harry Chavis.

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