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12 Year Prison Term For NY Restaurant Owner Tax Evasion And Ponzi Scheme

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When tax evasion and other financial crimes occur together, prison terms can be long. A 46 year old Watertown, New York food and restaurant entrepreneur and franchisor named Christopher Swartz has been sentenced to serve [150 months in prison](#) for committing [tax evasion and investment fraud](#). He had pleaded guilty to tax evasion and wire fraud last year. According to documents filed with the court, Swartz engaged in a [promissory note scheme](#) to defraud lenders and investors out of more than \$19 million. But that wasn't all. In addition to bilking investors, he ran a scheme to evade more than \$4 million in taxes, and to obstruct the IRS.

According to documents filed with the court, between 2005 and 2015, Swartz defrauded investors through bogus promissory notes and fraudulent offers of ownership in his companies. He induced investors by promising company growth and high interest rates. Despite these promises, Swartz stole investor funds and money from the businesses, and he spent it for his personal benefit. When lenders and investors tried to get their money back, Swartz provided false assurances, and made partial payments, including payments by check that he knew would bounce. He sought to cover up his thefts by falsifying company records. Swartz also concealed his assets and income to avoid seizure and collection by lenders, investors, and judgment creditors seeking to recover their funds.

Swartz used food and restaurant entities and companies to fraudulently issue promissory notes and stock. The companies he employed included: Jreck Subs, North Country Hospitality, Ultimate Franchise Systems, Caffino Live Roast, Madeline Ventures, Grace Ventures and Obees. In addition to his promissory note scheme, Swartz sold worthless shell company stock to approximately 70 United Kingdom residents, stealing the funds and defrauding them of approximately \$1.1 million.

Swartz also committed tax evasion for a decade. Between 2005 and 2015, Swartz filed false personal tax returns that underreported his income, and that did not file corporate returns or pay corporate taxes.

Swartz diverted money from business accounts and concealed the diversions in the company records by making fraudulent accounting entries. He made extensive use of cash too, so the funds could not be traced. He also used multiple entities and nominees to conceal his ownership of various assets.

Swartz also falsified partnership tax returns and attempted to impede the IRS's ability to collect employment taxes. Court documents allege, and Swartz did not deny, that he owned and operated Jreck Subs as a franchisor since 2002 or perhaps earlier. However, he did this through multiple layers of nominees and entities. Jreck is a popular submarine sandwich chain, and is one of the largest New York State-based franchises. It has approximately 45 stores in central and upstate New York.

Swartz is in custody and begins serving his sentence immediately. The court ordered Swartz to serve three years of supervised release, and to pay \$21,041,249.43 in restitution to his investment fraud victims. He was also ordered to pay \$4,619,340.75 in restitution to the IRS. The court ordered a forfeiture money judgement totaling \$12,360,400. As part of his plea agreement, Swartz agreed not to contest ownership of the franchise or forfeiture of this asset. Jreck Subs is currently the subject of a restraining order, as the government evaluates the potential forfeiture of the business and a sale to new owners, with proceeds serving as a potential source of funds to compensate victims.

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.