



# United States Department of Justice

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FOR IMMEDIATE RELEASE  
JANUARY 29, 2009  
[WWW.USDOJ.GOV/USAO/CAN](http://WWW.USDOJ.GOV/USAO/CAN)

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## **SAN FRANCISCO GROCERY STORE OWNER SENTENCED TO PRISON FOR FILING A FALSE TAX RETURN**

SAN FRANCISCO – Fawzi M. Swalim was sentenced yesterday to 14 days in prison, three years supervised release, a \$5,000 fine, and restitution of \$7,326, announced United States Attorney Joseph P. Russoniello and Special Agent in Charge, IRS Criminal Investigation, Scott O’Briant. Swalim voluntarily surrendered himself to custody immediately after the hearing.

On May 6, 2008, Swalim pleaded guilty to one count of filing a false tax return. According to court documents, in July 2004, Swalim admitted to an IRS Agent (undercover agent) that he was carrying out a scheme to under-report his taxable income. During these recorded meetings, Swalim explained that he maintained purchase invoices for the inventory sold at New Santa Clara Market and Divisadero Farmer’s Market, which he then provided to his bookkeeper. The bookkeeper computed the stores’ gross income by applying a 35 percent markup to the cost of the inventory. Because his bookkeeper calculated Swalim’s gross income based on this formula, any invoices withheld from the bookkeeper resulted in a reduction of both cost of goods sold and gross income. Swalim explained that the stores’ income could be calculated correctly by totaling the invoices he gave to the bookkeeper, and then adding back those “hidden” invoices which were withheld from the bookkeeper.

Swalim also showed the undercover agent a set of books for Divisadero Farmer’s Market confirming the stores’ actual income.

In August 2004, IRS special agents interviewed Swalim and seized the hidden purchase invoices and the set of books which confirmed the stores’ actual income.

In pleading guilty, Swalim admitted that on his Individual Income Tax Return for 2000, he reported an amount of gross receipts that was lower than the actual amount received that year. To conceal his business income, he provided inaccurate records to his tax return preparer by withholding invoices related to goods that he purchased for Divisadero Farmers’ Market. Specifically, he concealed from his tax preparer invoices for goods that were purchased using cash payments, both to and from his business, during 2000 through 2002.

Swalim., 55, then a resident of San Francisco, was indicted by a federal Grand Jury on May 15, 2007. He was charged with three counts of filing false tax returns in violation of Title 26 U.S.C. §7206(1).

Thomas Newman is the Assistant U.S. Attorney who is prosecuting the case with the assistance of Kathy Tat. The prosecution is the result of a 18 month investigation by the Internal Revenue Service - Criminal Investigation.

### **Further Information:**

Case #:CR 07-0298 CRB

A copy of this press release may be found on the U.S. Attorney's Office's website at [www.usdoj.gov/usao/can](http://www.usdoj.gov/usao/can).

Electronic court filings and further procedural and docket information are available at <https://ecf.cand.uscourts.gov/cgi-bin/login.pl>.

Judges' calendars with schedules for upcoming court hearings can be viewed on the court's website at [www.cand.uscourts.gov](http://www.cand.uscourts.gov).

All press inquiries to the U.S. Attorney's Office should be directed to Jack Gillund at (415) 436-6599 or by email at [Jack.Gillund@usdoj.gov](mailto:Jack.Gillund@usdoj.gov).

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