



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C.

November 16, 2023

VIA EMAIL

James R. Schwartz II

Cincinnati, Ohio 45249
jschwartz@firststarllc.com

RE: MUR 7677

Dear Mr. Schwartz:

On November 15, 2023, the Federal Election Commission accepted the signed conciliation agreement in settlement of knowing and willful violations of 52 U.S.C. §§ 30102(c), 30103(b), (c), 30104(b), 30114(b)(1), and 11 C.F.R. §§ 102.2(a)(1), (2), 102.9, 104.3, and 104.14(d). Accordingly, the file has been closed in this matter.

Documents related to the case will be placed on the public record within 30 days. *See* Disclosure of Certain Documents in Enforcement and Other Matters, 81 Fed. Reg. 50,702 (Aug. 2, 2016). Information derived in connection with any conciliation attempt will not become public without the written consent of the respondent and the Commission. *See* 52 U.S.C. § 30109(a)(4)(B).

Enclosed you will find a copy of the fully executed conciliation agreement for your files. If you have any questions, please contact me at (202) 694-1476 or arabinowitz@fec.gov.

Sincerely,

A handwritten signature in cursive script, appearing to read "Aaron Rabinowitz".

Aaron Rabinowitz
Assistant General Counsel

Enclosure
Conciliation Agreement

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

James R. Schwartz II

MUR 7677

CONCILIATION AGREEMENT

This matter was generated by a complaint filed with the Federal Election Commission (the "Commission"). The Commission found reason to believe that James R. Schwartz II ("Respondent") knowingly and willfully violated 52 U.S.C. §§ 30102(c), 30103(b), (c), 30104(b), 30114(b)(1) and 11 C.F.R. §§ 102.2(a)(1), (2), 102.9, and 104.3, 104.14(d) by converting Committee funds to personal use, failing to keep complete Committee financial records, and failing to file accurate disclosure reports.

NOW, THEREFORE, the Commission and Respondent, having participated in informal methods of conciliation prior to a finding of probable cause to believe, agree as follows:

I. The Commission has jurisdiction over Respondent and the subject matter of this proceeding, and this agreement has the effect of an agreement entered pursuant to 52 U.S.C. § 30109(a)(4)(A)(i).

II. Respondent has had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. Respondent enters voluntarily into this agreement with the Commission.

IV. The pertinent facts in this matter are as follows:

1. Steve Chabot for Congress and Natalie Baur as treasurer (the "Committee") is the principal campaign committee of Ohio Representative Steve Chabot.

James R. Schwartz II acted as the campaign manager for the Committee from 2011 to 2019.

During the same period, the Committee listed his father, James Schwartz, Sr., as treasurer on all Committee filings.

2. On April 27, 2021, Schwartz was charged with wire fraud and falsification of records in a federal investigation in connection with a long running scheme to embezzle funds from the Committee, and Schwartz pleaded guilty to those charges in an amended plea agreement on May 28, 2021. Schwartz stipulated that he had embezzled a total of \$1,420,475.23 from the Committee throughout his time as campaign manager for Chabot from 2011 through 2019. According to the plea, Schwartz effectuated this scheme by: (1) misrepresenting in reports to the Commission that his father was the Committee's treasurer; (2) writing checks from the Committee's bank account to himself and his consulting companies, Fountain Square Group LLC and Prime Media LLC; (3) sending reports to the Commission that misrepresented the Committee's cash on hand, receipts, and disbursements in order to hide the embezzlement; and (4) falsifying documents in connection with a Commission audit, including sending auditors fraudulently-altered bank account information. On May 1, 2022, Schwartz was sentenced to twenty four months of imprisonment and three years of supervised release and was required to pay \$1,407,220.03 in restitution. On December 27, 2019, the Committee also filed a Complaint with the Commission alleging violations of the Act by Schwartz based on the criminal indictment and the Committee's review of its records to-date.

3. Because of Schwartz's embezzlement and his efforts to conceal it, the Committee failed to disclose or incorrectly disclosed approximately \$2.5 million in receipts and disbursements and over or under-reported cash on hand by \$1 million or more during the 2017-2018 election cycle. In the first half of 2019, the Committee's reporting of receipts and

disbursements were off by more than \$400,000. Schwartz also caused the Committee to inaccurately report its cash-on-hand throughout the same period.

4. Each treasurer is required to keep an accurate account of and disclose, among other things, its receipts, disbursements, and cash-on-hand balances. 52 U.S.C. § 30104(a), (b). Committees, through their treasurers, are also required to file a statement of organization that accurately discloses the current name and address of the treasurer of the committee. 52 U.S.C. § 30103(a), (b); 11 C.F.R. § 102.2(a)(1), (2). The Act prohibits any person from converting contributions to a federal candidate to personal use. 52 U.S.C. § 30114(b)(1). The Act prescribes additional monetary penalties for violations that are knowing and willful. 52 U.S.C. §§ 30109(a)(5)(B), 30109(d).

5. Although Schwartz was not named in Committee filings as the Committee's treasurer, Schwartz performed all the duties of the treasurer while he was campaign manager, including maintaining the Committee's depository account and preparing and filing reports with the Commission. Schwartz thereby acted as the *de facto* treasurer of the Committee.

V. James R. Schwartz II knowingly converted campaign funds to personal use and caused the Committee to inaccurately report its receipts, disbursements, cash-on-hand, the identity of the Committee's treasurer and other information while he functioned as treasurer. As a result, James R. Schwartz II knowingly and willfully violated 52 U.S.C. §§ 30102(c), 30103(b), (c), 30104(b), 30114(b)(1) and 11 C.F.R. §§ 102.2(a)(1), (2), 102.9, and 104.3, 104.14(d).

VI. Respondent will take the following actions:

1. Respondent will cease and desist from committing further violations of 52 U.S.C. §§ 30102(c), 30103(b), (c), 30104(b), 30114(b)(1) and 11 C.F.R. §§ 102.2(a)(1), (2), 102.9, and 104.3, 104.14(d).
2. Respondent is prohibited from working or volunteering on any federal political committee in any capacity that involves fundraising or handling finances for a period of ten (10) years from the effective date of this agreement. This prohibition encompasses recordkeeping and preparing and/or filing disclosure reports with the Federal Election Commission.
3. Respondent James R Schwartz II, through the submission of financial documentation to the Commission and additional representations, has indicated that financial hardship prevents him from paying any civil penalty to the Commission. Schwartz is currently in the process of paying restitution in the amount of \$1,407,420.03 to the Committee and has limited assets. The Commission regards these submissions and representations as material representations. Due to Schwartz's financial condition, the Commission agrees to depart from the civil penalty that it would normally seek for the violations at issue, and the Commission agrees that no civil penalty shall be due. If evidence is uncovered indicating Respondent's financial condition is not as stated, a civil penalty of four million, forty nine thousand dollars (\$4,049,000) shall be immediately due, pursuant to 52 U.S.C. § 30109(a)(5)(B).

VII. The Commission, on request of anyone filing a complaint under 52 U.S.C. § 30109(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this agreement. If the Commission believes that this agreement or any requirement thereof has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

VIII. This agreement shall become effective as of the date that all parties hereto have executed the same and the Commission has approved the entire agreement.

IX. Respondent shall have no more than 30 days from the date this agreement becomes effective to comply with and implement the requirements contained in this agreement and to so notify the Commission.

X. This Conciliation Agreement constitutes the entire agreement between the Commission and Respondent and constitutes a final settlement as to Respondent. No other statement, promise, or agreement, either written or oral, made by either party or by agents of either party, that is not contained in this written agreement shall be enforceable.

FOR THE COMMISSION:

Lisa J. Stevenson
Acting General Counsel

Charles
Kitcher

Digitally signed by
Charles Kitcher
Date: 2023.11.16
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BY:

11/16/23

Charles Kitcher
Associate General Counsel
for Enforcement

Date

FOR THE RESPONDENT:



(Name) James Schwartz
(Position)

11/7/23

Date