

Burlington County's Inside Deals Exposing the Paulsen "Family" Business

Family and closest friends of GOP Chair Glenn Paulsen rake in millions in no-bid bond deals and contracts on the backs of Burlington County taxpayers

(Palmyra, NJ) - Richard J. Perr, President and Founder of the Burlington County Taxpayers Association, released the findings of the BCTA's in-depth investigation into the Paulsen "family" business – documenting over \$2 billion in questionable no-bid bond deals benefiting family, close friends, and political donors of Burlington County GOP Chairman Glenn Paulsen. Holding diagrams of the family tree showing the numerous connections between Paulsen, the Burlington County GOP, County Government, Bridge Commission, State Senate Republicans, Capehart & Scatchard, DRPA and others, Perr today called the Paulsen system of trading political favors for public money "proof of the abuse of public trust by elected and anointed public officials."

The BCTA, a bi-partisan grassroots organization that educates county residents on spending and tax abuses by politicians and government, examined records from the Burlington County government, the Burlington County Bridge Commission, the Paulsen era at the Delaware River Port Authority, as well as news accounts, web sites, and donor records and discovered a disturbing pattern of insider deals that ensured no-bid public contracts and money flowed to politically-connected companies and individuals, including: PaineWebber, which employs Paulsen's son, Brooks Paulsen, as a top executive; Capehart & Scatchard, Paulsen's law firm; and Public Financial Management, employer of Joshua Nyikita (son of Bridge Commission Executive Director George Nyikita) and Kim Whelan (wife of Brian Kowalski, chair of Capehart's Public Finance Group).

Perr explained: "When Glenn Paulsen joined Capehart & Scatchard in 1994, the firm was well-respected in New Jersey but had no appreciable bond practice. From 1996 to 2003, Capehart was underwriter's counsel on 38 bond issues involving PaineWebber and its successor UBS PaineWebber - amounting to more than \$2 billion in bond deals for a law firm that had little bond practice only a few years early. By 2001, Capehart was ranked 17th for bond firms in New Jersey, but a mere two years later, a firm with one full-time partner working on bond deals rose to 5th in the state. Recently, *Bond Buyer* magazine ranked Paulsen's law firm the 3rd largest bond counsel by volume in New Jersey."

"How did this come to pass? Did Paulsen's law firm recruit the public finance department of an established law firm? No. Capehart's public finance practice includes only one partner and one associate. More importantly, the practice is affiliated with Glenn Paulsen, former Vice Chair of the Delaware River Port Authority, leader of the Burlington County Republican Party, which controls the county government and Burlington County Bridge Commission, and father of Assistant Vice President of UBS PaineWebber, Brooks Paulsen."

The relationship between Glenn Paulsen and UBS PaineWebber extends far beyond his law firm's seemingly direct ties or his son's employment in the company's Philadelphia office. PaineWebber is one of the tried and true friends of Paulsen and a favorite financial services company of the Delaware River Port Authority during the Paulsen era, as well as the Burlington County Bridge Commission. During the Paulsen era at the DRPA, PaineWebber was named manager of 8 of 9 bond issuances - all no-bid contracts doled out under the watchful eye of then-Vice Chair Paulsen.

Perr remarked, "The direct links between Paulsen's relationship with PaineWebber, his son's eventual employment in the company, and the close ties between his law firm and PaineWebber extend well beyond mere coincidence. Simply put, Capehart & Scatchard would not have much of a public finance practice without their billions of dollars in deals with PaineWebber."

At the same time, Paulsen has also made sure that his friends at Public Financial Management (PFM) shared in the bonding wealth reaped by UBS PaineWebber and Capehart & Scatchard. Public Financial Management - employer of Joshua (son of George) Nyikita and Kim Whelan - or Whelan's former company, served as financial advisor on every bond issuance ever done by the Burlington County Bridge Commission since Paulsen's Senate Republicans passed legislation granting the Bridge Commission bonding authority in 2001. Paulsen serves as the in-house counsel to the State Senate Republicans. PFM also served as advisors to every bond issuance done by the DRPA during the Paulsen era and has been awarded contracts from Paulsen's Burlington County Freeholders. Public Financial Management pays dearly for Paulsen's favoritism - the company donated more than \$77,000 to the Burlington County GOP since 1998, including tens of thousands of dollars donated to Paulsen's GOP after the company agreed with the U.S. Securities and Exchange Commission to stop making political donations.

"Politics often makes strange bedfellows - particularly in New Jersey, but there is no way that taxpayers can accept that the sordid links of family ties, political contributions, no-bid contracts, and explosively expanding law practices are mere coincidences. It all adds up to a network of 'family business' done at the taxpayers' expense," Perr said. "During this era of ethics reform in New Jersey, Paulsen's continued use of his position, influence, and connections to pad the pockets of his personal friends, their wives and children, and his business partners serves as a glaring example of the taxpayers' worst nightmare about New Jersey politics."

"Moreover," Perr added, "the BCTA's investigation raises as many questions as it answers. Unfortunately, the next set of questions cannot be answered by public records, so I call on the parties, starting with Glenn Paulsen, to answer them directly."

- How did PaineWebber become the exclusive no-bid bond manager for the DRPA while Paulsen served as Vice Chair?
- How did the Public Finance Department at Capehart & Scatchard develop its practice so quickly and grow so exponentially and how do you explain the overwhelming ties between major clients and Capehart partner Glenn Paulsen?
- How did Brooks Paulsen happen to become Assistant Vice President of the DRPA's major bond manager?
- What qualified Public Financial Management and Kim Whelan to serve as exclusive financial advisors to the Bridge Commission and the Paulsen era DRPA, as well as the Burlington County Board of Freeholders?
- Do Kim Whelan and her husband, Brian Kowalski, head of Capehart's bond practice, have a role in recommending each other's businesses for work and do they work together on county deals?

- What role does George Nyikita have in hiring his son's employer to serve as advisor to the Burlington County Bridge Commission?
- How much in finder's fees, commissions, retainers, or other benefits are the members of Paulsen's extended "family" receiving as a result of these deals?

Perr continued, "Until we have answers to these questions and a full explanation as to how the 'family' business of no-bid contracts and inside deals came to pass, we will not have the full story. Taxpayers are fed up with watching hundreds of thousands and even millions of dollars flow out of public coffers and into the hands of the Paulsen family of personal friends, political allies, business partners, and donors. The BCTA and its membership will continue hunting out the truth about fraud and the abuse of the public trust by elected, appointed, and anointed officials in Burlington County," Perr concluded. "This is just one more announcement in what will be a series of investigations into the Paulsen family business in Burlington County."

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Burlington County Taxpayers Association

Resource Guide for Paulsen's "Family" Business

Capehart & Scatchard

<http://www.capehart.com/CM/OurServices/services-pubfin.asp> (about the public finance department)

<http://www.capehart.com/Bio/BrianKowalski.asp> (Brian Kowalski biography)

New Jersey Law Journal, "Online Auctions Are Changing Face of Bond Sales But Not of Bond Counsel," April 12, 2004.

Public Financial Management

<http://www.pfm.com/default2.htm> (overview of the company)

<http://www.pfm.com/Resumes/Whelan.htm> (Resume of Managing Director Kim Whelan)

<http://www.pfm.com/Resumes/Nvikita.htm> (Resume of Joshua Nyikita)

Bond Buyer, "Despite Pact, PFM Gave to Pataki in '01; Firm Also Spreads Cash in New Jersey," June 12, 2003.

PaineWebber (UBS PaineWebber)

<http://www.ubs.com/> (overview of the company)

Bond Buyer Municipal Market Guide (listing Brooks Paulsen as Assistant Vice President)

Top Bond Players, including UBS PaineWebber, PFM, and Capehart & Scatchard

Bond Buyer (online at www.bondbuyer.com) includes information on current and past bond issuances

Bond Buyer, February 9, 2004 (lists top 5 managers, issuers, advisors, and counsel in New Jersey)

Glenn Paulsen profile

Courier Post, "Pacts Benefit Paulsen," Sept. 24, 2003 (also describing Capehart & Scatchard's Bridge Commission relationship)