

PAYDIRT

with Lachlan Markay

Dem Candidate Told Ethics Watchdog His Business Was Shuttered. Now, He Says He Misspoke.

Josh Welle is in a tough spot politically. At worst, he misled congressional ethics officials about a business of his that just resolved a six-figure tax-delinquency bill. At best, he set up the firm lacking a basic understanding of how to manage it.

Welle, a Navy veteran, founded Severn Pacific in 2015. The company offered IT solutions to, among other clients, the military and State Department. Two years later, Welle and his business partners decided to close shop. They filed a tax return with the state of Virginia, where it operated, noting that the business was shutting down. But they didn't file similar paperwork in Delaware, where the firm was incorporated—which meant Severn Pacific remained active, and racking up tax bills.

Welle is now challenging New Jersey Republican Rep. Chris Smith. When he filed his candidate financial-disclosure statement in March, he told ethics officials and voters that he had dissolved Severn Pacific in 2017.

“That company does not exist,” he said at a candidate forum in February. “There is no owner of that company. That company has been dissolved.”

That was not the case. Severn Pacific remained active until last week, when it moved to settle \$130,000 in back taxes and finally, officially, close shop. Records reviewed by The Daily Beast show the company paid nowhere near that amount—Severn Pacific ponied up about \$1,100 in franchise taxes and finally shut down.

But Welle only took that action after local reporters took notice. A writer at the conservative site More Monmouth Musings questioned Welle's public statements—and those made in his financial disclosure,

which carries legal penalties for knowing misstatements—in light of Severn Pacific’s continued existence in Delaware.

The Welle campaign went nuclear. “Recent false allegations about the dissolution of Severn Pacific Inc., the technology business that Josh Welle co-founded in 2015, have been spreading via a small, ultra-right-wing conspiracy blog,” the Welle campaign wrote in a press release. “The author of the blog, who was previously arrested for defrauding a school-bus company, is a volunteer for the Chris Smith campaign and has deep ties to the Republican Party establishment.”

In emails to PAY DIRT, the Welle campaign blamed the discrepancy on Severn Pacific’s business agent, a Delaware-based firm called Harvard Business Solutions. “The company’s outside business agent who they hired did not file necessary dissolution paperwork for the state of Delaware,” wrote Welle Campaign Manager Kim Maier. “Their business agent identified discrepancies and filed necessary paperwork.”

According to Harvard, none of that is true. Before last week, “there was no request [to dissolve the company] to our knowledge,” Harvard Vice President Michael Bell said in an email. In fact, Bell said, Severn Pacific reached out to Harvard in early March 2017, shortly after Welle stated that the company was dissolved, to request a change in its billing and mail-forwarding addresses.

Only when Severn Pacific’s status became a campaign issue—and, Welle’s campaign says, when the candidate was made aware of that status—did Welle move to resolve it. On Oct. 2, Harvard was reinstated as its registered agent and filed paperwork to resolve its outstanding franchise taxes and dissolve the company.

The Welle campaign continues to chalk the whole ordeal up to a “misunderstanding” between Severn Pacific and its business agent. But in its statement hammering the local writer who raised the issue, the campaign hinted at a different explanation: a young businessman who simply didn’t understand what was required of a business owner.

The issue, Maier wrote, “exemplifies what is wrong with a bureaucratic tax system tax.”

Get the data:

- [Delaware corporate records](#)
- [House of Representatives personal financial disclosure](#)