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Testimony

Before the Subcommittee on
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Committee on Post Office and
Civil Service
House of Representatives

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The Christopher Columbus
Quincentenary Jubilee Commission

Statement of
Richard C. Stiener
Director
Office of Special Investigations



Mr. Chairman and Members of the Subcommittee:

We are pleased to be here at your request to discuss briefly our ongoing investigation of allegations of misconduct involving the Christopher Columbus Quincentenary Jubilee Commission (Commission) under former Chairman John N. Goudie. Specifically, you have asked that we report what we have learned concerning personal and family ties and financial and business dealings involving members of the Commission and individuals associated with the Christopher Columbus Licensing Group, Inc. (Group), with which the Commission had a licensing contract.

As you know, Mr. Chairman, Congress created the Commission with the Christopher Columbus Quincentenary Jubilee Act, Public Law 98-375, in 1984. The Commission is comprised of thirty members, ten of whom are appointed by the President. The Chairman is elected by the Commission from the ten presidential appointees. The act charges the Commission with preparing a comprehensive program to plan, encourage, coordinate, and conduct the commemoration on October 12, 1992, of the Five Hundredth Anniversary of the voyages of discovery of Christopher Columbus. The Commission is empowered to accept donations, and Congress intended that the Commission be funded primarily from private sources.

Mr. Nye Stevens of GAO's General Government Division was here in April to discuss the Commission's status at the end of 1990 and its ability to carry out the 1992 celebration. He testified that the Commission had raised fewer funds than expected, that its financial condition was precarious, and that management of the funds it did collect was deficient.

Our work, which we are here to discuss today, focused on allegations of misconduct by officers and others connected with the Christopher Columbus Licensing Group, Inc., a New York corporation formed in 1989. We began our investigation in January 1991 at the request of the Chairman, House Committee on Post Office and Civil Service. Since then we have interviewed over 75 individuals and reviewed relevant bank, telephone, and corporate records. We have also participated in serving 25 congressional subpoenas authorized by this Subcommittee and issued by the Committee. The information we are presenting here today comes from this investigative work.

John Goudie was the Commission's first Chairman and served from September 1985 until his resignation in December 1990. While he was Chairman, the Commission entered into a licensing agreement with the Christopher Columbus Licensing Group, Inc. That July 27, 1989, agreement was signed by John Goudie as Chairman of the Commission and Dominic Primato, as the Group's vice president. The contract granted the Group exclusive rights to license and sublicense the Columbus Quincentenary logo on

certain articles, including flags, bags, toys, and wearing apparel.

Under the contract terms, the Commission was to receive funds in two ways: (1) 5 percent of the Group's own gross sales or (2) 15 percent of sublicensee royalties paid on sublicensee gross sales. The typical sublicensee contract called for 10 percent of gross sales to be paid to the Group as a sublicense royalty. Thus, if the Group itself sold a tee-shirt for \$15.00, it would pay the Commission 5 percent, or 75 cents. However, if a sublicensee sold the tee-shirt, it would pay the Group \$1.50 as its 10-percent royalty. The Group, in turn, would pay the Commission 15 percent of that royalty--or 22.5 cents. In essence, the Commission was to receive only a 1.5-percent royalty under the Group's typical sublicensee contracts.

The Group was required under the terms of this contract to pay the Commission \$300,000, as an advance royalty payment. It paid three installments of \$100,000 each. The Commission will not receive any additional money from this contract until the Group recoups its advance on royalties from sublicense royalties. As of June 30, 1991, sublicense royalties have not reached the \$2 million level required for the Commission to earn \$300,000. We are unaware of any direct sales by the Group.

The President of the Christopher Columbus Licensing Group is Gunter Pfitzenmeier, a German citizen who resides in both New York City and Lantana, Florida. He met former Chairman Goudie on an airplane in 1989 while returning from Europe. The Vice President is Dominic Primato. He is a U.S. citizen with a background in airline travel services. We have found no evidence that either individual has had any experience in the licensing of products for celebrations of any size.

Mr. Pfitzenmeier's Lantana, Florida, residence is in his companion's name, Marlis Ellena, a Swiss citizen. Approximately \$46,000 in mortgage payments for the Florida property were paid by either Mr. Primato or Mr. Pfitzenmeier from the Group's checking account. According to representatives of the real estate firm that sold the property, Mr. Pfitzenmeier was the principal; but they did not know why Mr. Pfitzenmeier wanted to show Ms. Ellena as the owner.

A third individual associated with the Group is Alfredo Vidal. Mr. Vidal is a close friend of Mr. Primato and the owner of Vidal Travel Services, Inc., a small New York City travel agency. The Group issued checks totaling approximately \$16,000 to the travel agency. We have been unable to determine the reason for these payments and Messrs. Vidal and Primato have refused to explain why the transactions took place. In addition, for some portion of 1990, Mr. Primato was an employee of Vidal Travel Services, Inc. and Mr. Vidal's travel agency address was

used as the Group's business address. Mr. Pfitzenmeier's residence in New York City is a property owned jointly by Messrs. Primato and Vidal.

We have been told that the initial \$100,000 installment payment, of the three required under the contract with the Commission, was made with a loan to Mr. Pfitzenmeier from Mr. Vidal. We have been unable to verify this loan because Mr. Vidal and Mr. Pfitzenmeier have refused to furnish any details.

During hearings held by your Subcommittee on June 12, 1991, and June 19, 1991, Ms. Ellena, Mr. Pfitzenmeier, Mr. Primato, and Mr. Vidal declined to provide any information about the details and circumstances of their financial transactions relating to the Commission or the Group.

Another individual who participated in the business of the Group was Manuel Gonzalez, President of LACE Consulting Engineers, Inc. Mr. Gonzalez is a resident of Miami, Florida. According to corporate and bank records of the Group and its officers, over \$120,000 was paid to Manuel Gonzalez, through his company, in 1989 and 1990. Mr. Gonzalez's explanation for these payments is that \$28,000 represents real estate work he did with Gunter Pfitzenmeier unrelated to any Columbus Quincentenary activity. The Group also paid \$49,900 to his company as a finder's fee for helping secure a sublicense. We were unable to determine the reason for the remaining payments to Mr. Gonzalez.

We were told by several individuals that Mr. Gonzalez has claimed at different times to be either a stockholder or officer of the Licensing Group. We are unaware of any corporate records to support either claim. Further, you recall, Mr. Chairman, that on June 19, 1991, Mr. Gonzalez testified that, except for his efforts related to the \$49,900 finder's fee, he was never an agent, representative, stockholder, or officer of the Group.

Other business associates told us of their experiences with Mr. Gonzalez and Mr. Goudie, indicating that Mr. Gonzalez acted as though he enjoyed a close business relationship with Mr. Goudie and that Mr. Gonzalez often spoke for Mr. Goudie. According to the records of the Commission, Mr. Gonzalez is neither an agent nor an employee of the Commission. Mr. Gonzalez has been a close personal friend of Mr. Goudie since 1964.

Mr. Gonzalez employed John Goudie's brother Joseph Goudie during 1991 at \$600 per week. In addition, Mr. Gonzalez through LACE issued a check for \$9,500 to John Goudie's brother Jack in October 1989. During a brief interview, Jack Goudie explained to us that he used the \$9,500 to make a payment to the bank holding his brother John's mortgage. However, Jack Goudie refused to explain to us any additional details of this transaction. We do

not know why LACE Consulting gave \$9,500 to Jack Goudie nor why Jack in turn paid the money to John's mortgagee.

Mr. Gonzalez testified before this Subcommittee on June 19, 1991, that he made undocumented loans to John Goudie on several occasions for John Goudie to make payments on his mortgage. During an interview, he told us that he had loaned John Goudie about \$28,000 for mortgage payments on John's personal residence. During the hearing, he said that the amount of the mortgage loans was \$23,000 and that the loans had not been repaid.

The Committee has also asked that we describe what we have learned about the relationship of the Commission and the Licensing Group to several other individuals who we understand will be testifying before this Subcommittee later today.

The first individual is William Rolan of Knoxville, Tennessee. He told us about his plans for the development of a Christopher Columbus Quincentenary exhibit in the former U.S. pavilion on the site of the 1982 Worlds Fair in Knoxville, Tennessee. Mr. Rolan discussed with us his meetings and conversations with Jana Joustra, Deputy Director of the Commission, and with Mr. Goudie in an unsuccessful effort to finalize the Knoxville project. Mr. Rolan recounted his being introduced by John Goudie to two individuals who were potential investors for the Knoxville project. These investors were Manuel Gonzalez and Gunter Pfitzenmeier. Mr. Rolan said to us that, in his discussions with Ms. Joustra, he raised his own suspicions and concerns about the manner in which John Goudie was conducting business.

The second individual is Edgar Mooney. Mr. Mooney had a contract with the Group as the Director of Licensing and, as such, was responsible for securing sublicensing agreements for the Group. Mr. Mooney explained to us that he has had considerable experience in the licensing programs of very successful national celebrations, such as the Statue of Liberty Centennial. He also told us of how John Goudie's close friend, Mr. Gonzalez, acted as a representative of the Group and as a liaison with the Commission. Mr. Mooney has also claimed that, in his professional opinion, the licensing contract with the Commission was not in the best interests of the American public.

Tony Baltes, the third individual, was Secretary of the Licensing Group and represents minority stockholders who paid \$500,000 to the Licensing Group for a 25-percent ownership interest. Mr. Baltes told us of the very close relationship that former Chairman Goudie had with Manny "Cookie" Gonzalez as it relates to the management and ownership of the Group. Mr. Baltes also told us of conversations that he and others heard regarding the payment of a bribe to former Chairman Goudie. Mr. Goudie has denied these allegations.

The fourth person, Peter Dunev, is the President of Theta Marketing. He disclosed to us that both Mr. Gonzalez and Mr. Goudie participated directly in negotiating terms of an exclusive licensing agreement for tee-shirts during July of 1990. Mr. Dunev made only two \$25,000 payments on a \$1 million royalty contract. He told us that representations were made by Mr. Gonzalez, as well as John Goudie, that Mr. Gonzalez owned at least 25 percent of the Group's stock. Mr. Goudie on several occasions asked Mr. Dunev to buy out the Group contract for about \$1.5 million, but said Mr. Gonzalez had to be given 25 percent of the new corporate stock. Mr. Dunev learned of inconsistencies in Mr. Goudie's representations about the Commission's plans and began to question him about these representations. Mr. Goudie threatened Mr. Dunev with actions by the Department of Justice. Mr. Dunev's contract was subsequently terminated by the Group in October 1990.

The last individual is Robert Coy. Mr. Coy told us how Mr. Goudie, in November 1990, personally participated with Peter Santiago--a lifetime friend of John Goudie's younger brother Joseph--in efforts to market another exclusive licensing agreement. This contract would have provided licensing rights for the Columbus Quincentenary logo for all clothing items. The contract was offered to Mr. Coy and two of his associates in exchange for a \$300,000 advance royalty and a percentage of gross sales. Mr. Coy and others met with Mr. Goudie in Mr. Santiago's apartment to discuss the venture and details of the contract. Mr. Coy said that Mr. Goudie's presence provided credibility to the representations made by Peter Santiago. These representations included Mr. Santiago's claim that for \$300,000 he had purchased the rights to license clothing with the Commission's logo. Mr. Coy's statement characterized the November meeting as "a hustle" and "a scam" to come up with \$300,000 in 48 hours. This characterization was corroborated by the testimony of two additional witnesses. You will recall, Mr. Chairman, that on July 25, 1991, Mr. Santiago testified before this Subcommittee that he knew nothing about marketing licensing rights to Mr. Coy and others. Mr. Santiago characterized the November 1990 meeting as inconsequential, saying "nothing happened" and "I don't remember."

It is our understanding that the five witnesses who will appear today will be able to testify in greater detail about their interactions with the Commission, the Group, and its representatives.

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Mr. Chairman, this concludes our statement. At this time, we would be pleased to answer questions on the information we have provided today.

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