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Committee
Hearings
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INVESTIGATION INTO ALLEGATIONS OF WRONGDOING OF CERTAIN INDIVIDUALS ASSOCIATED WITH THE CHRISTOPHER COLUMBUS QUINCENTENARY JUBILEE COMMISSION

A REPORT

PREPARED BY THE

SUBCOMMITTEE ON CENSUS AND POPULATION

OF THE

COMMITTEE ON POST OFFICE AND CIVIL SERVICE U.S. HOUSE OF REPRESENTATIVES

JANUARY 1994

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November 23, 1992

Honorable William L. Clay
Chairman
Committee on Post Office and Civil Service
309 Cannon House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

We are pleased to transmit to you a report prepared by the Subcommittee on Census and Population concerning its investigation into allegations of wrongdoing on the part of certain individuals associated with the Christopher Columbus Quincentenary Jubilee Commission.

The report summarizes the evidence gathered by the subcommittee during its year long investigation and presents recommendations for strengthening the organization and management of federal holiday commissions in the future. It is the product of many hours of hard work on the part of committee and subcommittee Members and staff. We are grateful, as well, for the strong support we received from you and Congressman Ben Gilman.

We want to acknowledge the work of committee and subcommittee staff, both majority and minority, in conducting the investigation and preparing this report. In particular, we want to recognize Ms. Jan Chisolm-King for her outstanding efforts in drafting the report.

We hope that our review of the Columbus Commission will help prevent similar problems from occuring at federal commissions in the future.

Sincerely,

Tom Sawyer
THOMAS C. SAWYER
Chairman

Tom Ridge
THOMAS J. RIDGE
Ranking Minority Member

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INVESTIGATION INTO ALLEGATIONS OF WRONGDOING OF CERTAIN INDIVIDUALS ASSOCIATED WITH THE CHRISTOPHER COLUMBUS QUINCENTENARY JUBILEE COMMISSION

STATEMENT OF PURPOSE

Under Rule 22 of the Rules of the Committee on Post Office and Civil Service, the Subcommittee on Census and Population is vested with jurisdiction over holidays and celebrations. Pursuant to that authority, the subcommittee conducted an extensive inquiry into the activities of the Christopher Columbus Quincentenary Jubilee Commission.

The subcommittee did not engage in a comprehensive investigation of potentially illegal activity, believing instead that the Executive Branch has the appropriate responsibility to identify and develop all of the evidence needed for any possible prosecutorial action. Rather, the subcommittee's investigation was necessary to assess fully the need for corrective legislation with respect to federal holiday commissions.

The subcommittee is pleased to note that the Christopher Columbus Quincentenary Jubilee Commission is now under the direction of Chairman Frank Donatelli. Mr. Donatelli was appointed to the Commission and subsequently elected Chairman in February, 1991. At that time, the Commission's image was tarnished, at best. It's financial position was unstable and many of its planned activities were in disarray.

The subcommittee believes that Chairman Donatelli has worked diligently to develop and coordinate activities that will focus attention on the anniversary of Christopher Columbus' maiden voyage to the New World. In addition, the subcommittee is confident that, under Chairman Donatelli's leadership, the Commission is operating in a fiscally responsible manner.

EXECUTIVE SUMMARY

The Christopher Columbus Quincentenary Jubilee Commission (the "Commission ") was established by Congress in 1984 (Public Law 98–375), to coordinate appropriate ceremonies through local, national, and international observances, that would educate the public, as well as focus attention on the 500th anniversary of Columbus's voyages to the New World. It is composed of 30 members, ten of whom are appointed by the President. The Chairman is selected by the entire Commission from among the ten Presidential appointees that serve on the Commission.

Under the chairmanship of John N. Goudie, who served in that position from September, 1985, through December, 1990, the Commission, its licensing activities, and the Christopher Columbus Licensing Group (CCLG)[1] were the subject of numerous allegations of misconduct and probable wrongdoing.

In the summer of 1990, the subcommittee was approached by individuals who were concerned about their dealings with the Commission. In particular, those individuals believed that the Commission's efforts to raise funds through a program to market the official Quincentenary logo had gone badly astray.

In an effort to learn the true status of plans for the Quincentenary celebration, the subcommittee posed a series of questions to then-Commission Chairman Goudie. The answers, received in October, 1990, were at best evasive; at times nonresponsive; and at worst, a misrepresentation of the truth.[2]

The subcommittee became alarmed at the possible state of affairs at the Commission. It immediately requested assistance from the General Accounting Office, General Government Division, to determine the financial position of the Commission and the true status of planned activities for the rapidly approaching Quincentenary year. Representatives of the GAO reported their findings to the subcommittee at a hearing held on April 23, 1991.[3] A thorough audit of the Commission revealed a widespread lack of administrative controls.[4]

In particular, the audit revealed that Commissioners and staff traveled without the requisite authorization. Records of compensation and benefits for Commission staff were inadequate. Receipt and expenditure of funds were recorded in four separate sets of books. None of those recordings were consistent. Equally troubling, the Commission was seriously in debt. Its efforts to raise private funds to support the Quincentenary celebration had been unsuccessful. The Commission had managed to keep its head above water only by soliciting contributions from Commissioners themselves.

In December, 1990, Chairman Goudie resigned from his position amid a rush of negative publicity. On the same day, The New York Times ran a front page story detailing his longstanding financial and legal troubles in his home state of Florida.[5]

As news of Mr. Goudie's troubles appeared in the media, people who had been involved with efforts to plan and carry out the Quincentenary celebrations began to come forward. The allegations they brought to the subcommittee were serious and enormously disturbing. They included:

- bribery;
- conflicts of interest;
- abuse of authority;

[1] The Christopher Columbus Licensing Group, Inc. (CCLG) was a New York corporation, formed in 1989, to market the Commission's official Quincentenary logo.

[2] See Appendix I for letter dated October 4, 1990, to then- Commission Chairman John Goudie and Mr. Goudie's response dated October 17, 1990.

[3] See April 23, 1991, hearing entitled, "Oversight Hearing to Review the Activities of the Christopher Columbus Quincentenary Jubilee Commission." Serial Number 102-10.

[4] See National Archives and Records Administration, Office of the Inspector General, report entitled, "Audit of the Christopher Columbus Quincentenary Jubilee Commission," dated September 30, 1991. Report No. 91-8.

[5] See Appendix II for The New York Times article, dated December 18, 1990, page A1.

- fraudulent contracts;
- mismanagement of contracts; and
- solicitation of campaign contributions in exchange for favors.

In the course of its efforts to explore these allegations and consider appropriate corrective action through the legislative process, the subcommittee, in January, 1991, requested additional assistance from the General Accounting Office, Office of Special Investigations (OSI).[6]

During the course of its investigation, the subcommittee on Census and Population authorized the issuance of 25 subpoenas; held five days of hearings in Executive Session; took two depositions; and held two days of public hearings, to examine allegations of misconduct on the part of certain individuals associated with the Christopher Columbus Quincentenary Jubilee Commission.[7] In addition, the OSI interviewed over 75 individuals and reviewed relevant bank, telephone, and corporate records. The evidence which the subcommittee developed covers the period 1989 through 1991.

BACKGROUND

Public Law 98-375, the Act creating the Commission, limited federal funding to an annual appropriation of $220,000 per year. This modest appropriation forced the Commission to rely on private and corporate donations for most of its financial resources. However, these donations were limited by law to $25,000 per person and $50,000 per corporation. These were aggregate limits that applied to the life of the Commission.

The Act also prohibited the use of any symbols, marks, or logos designed and certified by the Commission in any commercial venture. House Committee Report 95-150 specifically stated:

> To protect against commercializing and trivializing this event through the sale of the type of memorabilia that inundated the public during the American Revolutionary Bicentennial in 1976, the bill bans the use of any symbols, marks or logos designed and certified by the Commission in any commercial venture. Stiff penalties shall be imposed for the unauthorized use of the logo.

Public Law 100-94, the Christopher Columbus Quincentenary Jubilee Act Amendments, increased the amount of donations that the Commission could seek from individuals to $250,000 per year per person and from corporations to $1,000,000 per year per entity. The Act also authorized the expanded use of the Quincentenary logo. Those amendments were enacted at the request of the Commission in response to the difficulties that the Commission was experiencing in raising private funds.

It appeared that the Commission had envisioned some very exciting activities to recognize the quincentennial anniversary of Columbus' first voyage to the West. Unfortunately, John Goudie was not capable of securing adequate financial backing for those activities. Mr. Goudie centralized most of the fundraising in his own

[6] See Appendix III for February 11, 1991, letter to the Honorable Charles Bowsher, Comptroller General of the United States, General Accounting Office.

[7] Transcripts of hearings held in Executive Session and depositions taken may be found in the Committee on Post Office and Civil Service files. For additional information, see November 21-22, 1991, hearings entitled, "Investigative Hearings to Review Allegations of Wrongful Conduct of Certain Individuals Associated With the Christopher Columbus Quincentenary Jubilee Commission." Serial Number 102-36.

hands, but he did not have a high public profile and lacked ready access to corporate chief executive officers. More than half of the total cash donations to the Commission during Mr. Goudie's tenure were received from members of the Commission itself. At the time of Mr. Goudie's resignation in December, 1990, the Commission's cash on hand was drawn down to a balance of $43,000, while liabilities amounted to $764,000.[8]

Texaco Agreement

The Commission and Texaco entered into an Agreement in September, 1989. The Sponsorship Agreement provided that Texaco would make an annual donation of $1,000,000 per year for five years, beginning in 1989 and running through 1993. These monies would be used by the Commission to fund its participation in the Tour of the Columbus Caravels.[9] Under the agreement, seventeen percent of all payments by Texaco could be retained by the Commission to defray its operating expenses.

House Committee Report 95–150 stated that in order to avoid any undue influence on the Commission or its activities, or undue commercialization of events, no one corporation or entity should become too prominent in the Commission's activities. It appears, as a result of Mr. Goudie's poor judgment and his inability to attract an appropriate range of sponsors, that Texaco's Sponsorship Agreement allowed this very situation to occur.

For example, the Sponsorship Agreement provided, in part, that Texaco would be the only petroleum company to be designated an Official Sponsor of the Commission, as well as the exclusive national sponsor of the Tour of the Caravels. In addition, the Agreement stated that no other sponsor would have the right to place logos, insignia, or other corporate identification on or in direct proximity to the Caravels. Finally, Texaco was granted the right to consult with the Commission with regard to all other corporate sponsors.

Through the fall of 1990, Texaco had donated $1.5 million to the Commission towards fulfillment of the Agreement. $1.2 million of that amount was paid to Spain and $300,000 was retained by the Commission to assist in covering its operating expenses. In September, 1990, Texaco suspended its Agreement with the Commission, claiming that the Commission was in breach of its contract. Texaco still owed the Commission $600,000. As a result, the Commission was in default on its contract with Spain for $600,000, and Spain subsequently cancelled its Agreement with the Commission.[10]

The subcommittee believes that the Commission's financial posture was critical when the Texaco Agreement was signed, particularly with regard to financing the Caravels, and that Texaco may

[8] These figures were taken from the General Accounting Office's April 23, 1991, statement before the Subcommittee.

[9] The Columbus Caravels were replicas of Christopher Columbus' three famous ships: the Nina, the Pinta, and the Santa Maria. They were to travel to approximately 30 ports throughout the United States and the Caribbean. The Tour of the Caravels was to be a centerpiece and highlight of the Quincentenary activities.

[10] Largely through the efforts of Chairman Frank Donatelli, matters relating to the Tour of the Columbus Caravels were resolved when he facilitated a new agreement among the parties involved. The agreement provided that the Sociedad Estatal (Spain's Quincentenary Commission) would take over management of the Tour of the Columbus Caravels, with the U.S. Commission providing assistance and outreach support while the Caravels were in the United States. Texaco withdrew from the program, but remained a sponsor of the U.S. Quincentenary.

have benefited from that situation by negotiating an agreement that was more favorable to the corporation than to the Commission. The failed Texaco sponsorship represents a clear example of Mr. Goudie's ineptitude as a manager of a federal commission. It also clearly points to the fact that Mr. Goudie did not keep the Commission's best interests in mind when entering into agreements that should have resulted in financial gain and sound program options for the Commission.

CHRONOLOGY OF EVENTS

August, 1990. Tony Baltes, representing the Minority Stockholders of the CCLG, and Peter Dunev, President of Theta Marketing, relayed their concerns about the CCLG's questionable activities to the subcommittee.

October 4, 1990. Subcommittee Chairman Tom Sawyer and Ranking Minority Member Tom Ridge wrote to then-Commission Chairman John Goudie to learn the status of plans for the Quincentenary celebration.

October 17, 1990. The subcommittee received Chairman Goudie's response to its letter dated October 4, 1990.

December 3, 1990. The subcommittee requested the assistance of GAO in reviewing the activities of the Commission.

December 17, 1990. John Goudie resigned as Chairman of the Commission.

February 11, 1991. Committee Chairman William Clay requested additional assistance from GAO's Office of Special Investigations in its review of the Commission's activities.

April 23, 1991. The subcommittee met in Executive Session to consider the issuance of subpoenas for information relating to its investigation.

April 23, 1991. The subcommittee held an oversight hearing to review the present and future activities of the Commission. Testimony was heard from Chairman Donatelli and GAO representatives.

May 21, 1991. The subcommittee met in Executive Session to consider the issuance of additional subpoenas.

June 12, 1991. First hearing held, in Executive Session, to review allegations of misconduct or wrongdoing on the part of certain individuals associated with the Christopher Columbus Quincentenary Jubilee Commission. Testimony was heard from Marlis Ellena and Gunter Pfitzenmeier.

June 19, 1991. Second hearing held in Executive Session. Testimony was heard from Isabella and Manuel Gonzalez, Alfredo Vidal, and Dominic Primato.

July 25, 1991. Third hearing held in Executive Session. Testimony was heard from Peter Santiago, Joseph Goudie, and Randall Heiman.

August 9, 1991. The subcommittee took a deposition from Robert Coy in furtherance of its investigation.

October 17, 1991. The subcommittee took a deposition from Jeffrey Stern in furtherance of its investigation.

November 20, 1991. The subcommittee held its first public investigative hearing to review allegations of misconduct or wrongdoing on the part of certain individuals associated with the Christopher Columbus Quincentenary Jubilee Commission. Testimony was heard from Tony Baltes, Robert Coy, Peter Dunev, Edgar Mooney, William Rolen, and Richard Stiener, Director, Office of Special Investigations.

November 21, 1991. The subcommittee concluded its investigative hearings. Testimony was heard from Jana Joustra and John Goudie.

February 20, 1992. The committee referred to the Department of Justice evidence that suggested possible criminal and unlawful conduct and warranted further investigation.

BIOGRAPHICAL INDEX

(Alphabetical)

BALTES, Tony. Secretary, Christopher Columbus Licensing Group, Inc. (CCLG) and representative of CCLG's minority stockholders. Mr. Baltes appeared before the subcommittee on November 20, 1991.

COY, Robert. Target, along with Randall Heiman, of solicitation by John Goudie and Peter Santiago to purchase the exclusive rights to market clothing bearing the Quincentenary logo. Mr. Coy appeared before the subcommittee on November 20, 1991.

DUNEV, Peter. President, Theta Marketing Corporation. Purchased the exclusive rights to market clothing bearing the Quincentenary logo. Mr. Dunev appeared before the subcommittee on November 20, 1991.

ELLENA, Marlis. Gunter Pfitzenmeier's companion. Ms. Ellena's appearance before the subcommittee, in Executive Session on June 12, 1991, was compelled through the issuance of a subpoena.

GONZALEZ, Manuel. President, Latin American Consulting Engineers, Inc. (LACE). Self-described close and long time personal friend of John Goudie. Mr. Gonzalez's appearance before the subcommittee, in Executive Session on June 19, 1991, was compelled through the issuance of a subpoena.

GOUDIE, Jack. John Goudie's younger brother.

GOUDIE, Joseph. John Goudie's younger brother who was employed by Manuel Gonzalez. He also is a close friend of Peter Santiago. Mr. Goudie's appearance before the subcommittee, in Executive Session on July 25, 1991, was compelled through the issuance of a subpoena.

GOUDIE, John N. Chairman, Christopher Columbus Quincentenary Jubilee Commission (September, 1985, through December, 1990). Mr. Goudie's appearance before the subcommittee on November 21, 1991, was compelled through the issuance of a subpoena.

HEIMAN, RANDALL. Target, along with Robert Coy, of solicitation by John Goudie and Peter Santiago to purchase the exclusive rights to market clothing bearing the Quincentenary logo. Mr. Heiman appeared before the subcommittee, in Executive Session, on July 25, 1991.

JOUSTRA, Jana. Deputy Director, Christopher Columbus Quincentenary Jubilee Commission (January, 1988, through present). Ms. Joustra appeared before the subcommittee on November 21, 1991.

MOONEY, Edgar. Director of Licensing, Christopher Columbus Licensing Group, Inc. (CCLG). Mr. Mooney appeared before the subcommittee on November 20, 1991.

PFITZENMEIER, Gunter. President, Christopher Columbus Licensing Group, Inc. (CCLG). Mr. Pfitzenmeier's appearance before the subcommittee, in Executive Session on June 12, 1991, was compelled through the issuance of a subpoena.

PRIMATO, Dominic. Vice President, Christopher Columbus Licensing Group, Inc. (CCLG). Mr. Primato's appearance before the subcommittee, in Executive Session on June 19, 1991, was compelled through the issuance of a subpoena.

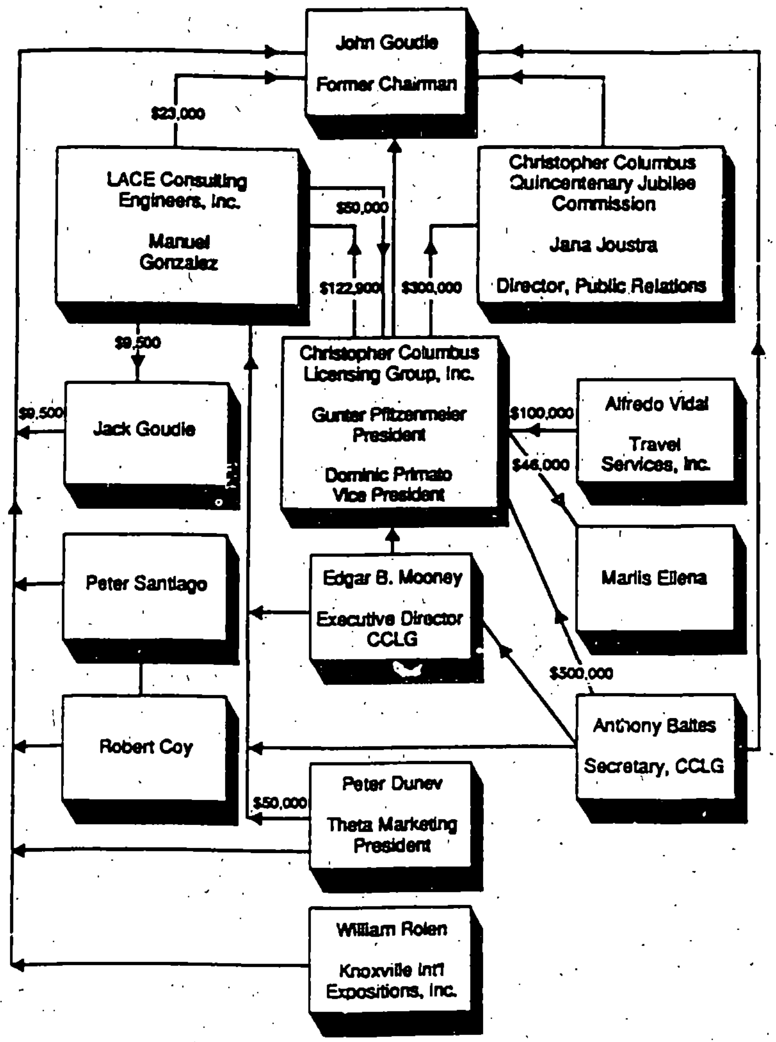
ROLEN, William. Represented Knoxville International Expositions, Incorporated (KIE). Mr. Rolen appeared before the subcommittee on November 20, 1991.

SANTIAGO, Peter. Close friend of Joseph Goudie. Attempted, with John Goudie, to solicit the exclusive rights to market clothing bearing the Quincentenary logo. Mr. Santiago's appearance before the subcommittee, in Executive Session on July 25, 1991, was compelled through the issuance of a subpoena.

VIDAL, Alfredo. Owner of Vidal Travel Services, Inc. and a close personal friend of Dominic Primato. Mr. Vidal's appearance before the subcommittee, in Executive Session on June 19, 1991, was compelled through the issuance of a subpoena.

Following is a chart depicting the relationship of the parties discussed in this report:

Relationship of the Parties



THE INVESTIGATION

A. Christopher Columbus Licensing Group, Inc. (CCLG)

On July 27, 1989, the Commission awarded a contract to the Christopher Columbus Licensing Group (CCLG) for the exclusive rights to market the official Quincentenary logo.[11] That contract required the CCLG to pay an advance royalty of $300,000 to the Commission. The contract also provided that the CCLG would receive 85 percent of the gross profits from marketing the official logo, while the Commission would receive only 15 percent.

The principle officers of the CCLG were Gunter Pfitzenmeier (President), Dominic Primato (Vice President), and Tony Baltes (Secretary). Mr. Baltes also represented the minority stockholders, who paid $500,000 to the CCLG for a 25 percent ownership interest. The General Accounting Office audit revealed that Alfredo Vidal, a close personal friend of Mr. Primato, loaned $100,000 to Mr. Pfitzenmeier to assist with payment of the advance royalty to the Commission. The remaining $200,000 was paid out of monies invested by the minority stockholders.

After careful review, the subcommittee believes that the contract had the earmarks of a scam. The profits from the licensing venture between the Commission and the CCLG were divided unfairly, as compared with industry standards. The principles of the CCLG, Gunter Pfitzenmeier and Dominic Primato, did not have any experience in promoting and licensing products for national events, or in marketing and merchandising for celebrations. It was revealed that neither Mr. Goudie nor Commission staff made any inquiries to determine acceptable industry standards for sharing profits under this type of contract.

Gunter Pfitzenmeier

Mr. Pfitzenmeier, a citizen of Germany, was the President of the CCLG. He claimed to have met John Goudie on an airplane traveling from Europe to the United States.

The subcommittee believes that Messrs. Pfitzenmeier and Goudie discussed the formation of a group to market the Quincentenary logo. Subsequently, Mr. Pfitzenmeier, with substantial advice from Mr. Goudie and Manuel Gonzalez, formed the Christopher Columbus Licensing Group, Inc. (CCLG).

Mr. Pfitzenmeier's appearance before the subcommittee, in Executive Session on June 12, 1991, was compelled through the issuance of a subpoena. During the course of questioning,

Mr. Pfitzenmeier asserted his Fifth Amendment privilege in response to every question, except to provide his name, date of birth, and place of residence.

Marlis Ellena

Ms. Ellena, a citizen of Switzerland, is Gunter Pfitzenmeier's companion. She is listed as the owner of the house in which she and Gunter Pfitzenmeier resided at 61 Curlew Road, in Point Man-

[11] See Appendix IV for the contract signed by the Christopher Columbus Quincentenary Jubilee Commission and the Christopher Columbus Licensing Group (CCLG).

alapan, Florida. Her appearance before the subcommittee, in Executive Session on June 12, 1991, was compelled through the issuance of a subpoena. Ms. Ellena asserted her Fifth Amendment privilege in response to every question, expect to provide her name and date of birth.

Dominic Primato

Mr. Primato was the Vice President of the CCLG. His appearance before the subcommittee, in Executive Session on June 19, 1991, was compelled through the issuance of a subpoena. During the course of questioning, Mr. Primato asserted his Fifth Amendment privilege in response to every question, except to provide his name, date of birth, social security number, and place of residence.

Alfredo Vidal

Mr. Vidal is the owner of Vidal Travel Services, Inc. and is a close personal friend of Dominic Primato. His appearance before the subcommittee, in Executive Session on June 19, 1991, was compelled through the issuance of a subpoena. During the course of questioning, Mr. Vidal asserted his Fifth Amendment privilege in response to every question, except to provide his name and place of residence.

SUBCOMMITTEE FINDINGS

Evidence gathered by the subcommittee revealed that Gunter Pfitzenmeier organized the CCLG, with the assistance of Mr. Goudie and his close personal friend, Manuel Gonzalez, with an understanding that the CCLG would be awarded the contract for the exclusive right to market the Quincentenary logo. In other words, the subcommittee believes that the CCLG contract was prearranged.

In accordance with its contract, the CCLG paid the Commission an advance royalty payment of $300,000. The advance royalty was to be paid, according to the CCLG's contract, in $100,000 installments in July, 1989, October, 1989, and January, 1990. In order to make these payments, Mr. Pfitzenmeier received a loan of $100,000 from Alfredo Vidal and used $200,000 of the minority stockholder's $500,000 investment. The subcommittee believes that Mr. Vidal was repaid his $100,000 loan from funds invested by the minority stockholders.

Neither Messrs. Pfitzenmeier nor Primato had any personal financial stake in the CCLG. They declined to answer any questions from the subcommittee about the activities of the CCLG or their own financial transactions in relation to the Group. The subcommittee concluded that the CCLG was insolvent.

Tony Baltes, who represented the minority stockholders, told the subcommittee during his sworn testimony on November 20, 1991, that Mr. Pfitzenmeier claimed that he paid Mr. Goudie an additional $150,000 in cash, "under the table," to secure the 'point of sale' rights to the licensed merchandise. According to Mr. Baltes, Mr. Pfitzenmeier also stated that Mr. Gonzalez received a share of the $150,000. The minority stockholders believe that they were defrauded by Messrs. Pfitzenmeier and Goudie because they invested in the CCLG to get involved in the 'point of sale,' which is Mr. Baltes' area of expertise. Neither Messrs. Pfitzenmeier or Primato had any experience in merchandising.

Another transaction representing an inappropriate use of CCLG funds on behalf of Mr. Pfitzenmeier, and related by Mr. Baltes, occurred in December, 1989. Mr. Pfitzenmeier contacted Merrill Kane, the CCLG's Treasurer and a minority stockholder, and asked to borrow $100,000 for a real estate venture involving Mr. Goudie. Mr. Kane agreed to the loan and required Mr. Pfitzenmeier to sign a note to repay the loan by March 1, 1990, the date CCLG needed the money for projected operating capital. Mr. Pfitzenmeier received the money by wire transfer and never repaid the loan.

Mr. Baltes also told the subcommittee that in January, 1990, he expressed an interest to Mr. Pfitzenmeier in arranging a meeting with Mr. Goudie to discuss CCLG's activities.

Mr. Pfitzenmeier told Mr. Baltes that Mr. Goudie was heavily involved in trying to raise funds for the reelection campaign of then-Florida Governor Bob Martinez. Mr. Pfitzenmeier indicated that he could arrange such a meeting, provided that Mr. Baltes made a contribution of $3,000 to the Governor's campaign.

Mr. Baltes complied with this request and mailed the check to what he later learned was Manuel Gonzalez's business address. When Mr. Pfitzenmeier failed to arrange a meeting between Messrs. Baltes and Goudie, Mr. Baltes expressed his concerns to Mr. Primato. Mr. Primato wrote Mr. Baltes a check for $3,600 from the CCLG's account to repay him. The check was $600 more than the initial $3,000 because Mr. Primato apparently did not want anyone to connect the two transactions. Mr. Baltes said that Mr. Pfitzenmeier instructed him not to mention the campaign contribution to anyone.

Records reviewed by the subcommittee and OSI revealed that Mr. Pfitzenmeier inappropriately used CCLG funds to pay approximately $46,000 on the mortgage of his Florida home that was in the name of his companion, Marlis Ellena. In addition, Manuel Gonzalez told the subcommittee, during his sworn testimony on June 19, 1991, that Mr. Pfitzenmeier paid him $28,000 for non-CCLG work he performed on Mr. Pfitzenmeier's behalf. Bank records revealed that these monies were paid out of CCLG funds.

Bank records also revealed that the CCLG issued checks totaling approximately $16,000 to Vidal Travel Services, Inc., of New York City. It is unclear why Mr. Vidal's company received these funds because he asserted his Fifth Amendment privilege when questioned on this matter at his appearance before the subcommittee on June 19, 1991. The subcommittee was able to determine that Mr. Primato was listed as an employee of Vidal Travel Services, Inc., for some portion of 1990. The subcommittee believes that Mr. Primato was listed as an employee of Mr. Vidal's company so that he could receive the $16,000 paid to Vidal Travel Services, Inc. from the CCLG.

The subcommittee determined that the CCLG entered into numerous sublicensing agreements that required royalty payments of varying amounts. A list of CCLG sublicensees [12] revealed that royalty payments ranged from $5,000 to $1,000,000. The investigation revealed that there were several individuals who had sublicensing agreements that did not appear on this list. This indicates that the principles of the CCLG did not report all sublicensing agreements to the Commission, as required by its contract. Therefore, the royalty payments were not documented. The subcommittee believes that the principles of the CCLG most likely diverted these funds for their own personal use. Therefore, the Commission was cheated out of its share of the profits.

The CCLG records and books subpoenaed by the subcommittee were sorely lacking in standard financial information. There were no:

- copies of tax returns;
- journal or ledgers of cash disbursements and receipts;
- corporate minutes;
- records of how officers were compensated;
- records of the source of funds to start the corporation; and
- records of any audits of the corporation's books.

In addition, the CCLG accountant only had copies of cancelled checks and some bank statements.

Edgar Mooney, who has extensive experience in licensing and marketing products for large scale celebrations, was hired as the Director of Licensing by the CCLG. Mr. Mooney testified before the subcommittee on November 20, 1991. The subcommittee wants to make clear that while Mr. Mooney was an integral part of CCLG activities for a period of time, he was not a target of the investigation of possible wrongdoing. Mr. Mooney has filed suit against the CCLG for monies (approximately $400,000) he claims are owed him under his contract, as well as punitive damages.

Mr. Mooney told the subcommittee that he was responsible for negotiating contracts between sublicensees and the CCLG. He said that he was perplexed as to why the Commission contracted with the CCLG because it was glaringly apparent to him that Messrs. Pfitzenmeier and Primato lacked any experience in licensing. Mr. Mooney said that this fact became clear when he reviewed sublicensing agreements that Messrs. Pfitzenmeier and Primato negotiated without his assistance. He later found that the CCLG principles had negotiated several contracts without his knowledge. Presumably, this was done so that the CCLG would not have to pay Mr. Mooney the percentage to which he was entitled for negotiating contracts.

Mr. Mooney also described an April, 1990, meeting at Mr. Pfitzenmeier's New York City residence, where he was introduced to Manuel Gonzalez. Mr. Gonzalez was introduced as a close personal friend of John Goudie. Mr. Mooney was told that Mr. Gonzalez was an integral part of the CCLG and that he acted as a liaison between the Commission and the CCLG. According to Mr. Mooney, he was instructed by Mr. Primato to send all items from sublicensees needing Commission approval to Mr. Gonzalez.[13]

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[12] See Appendix V for CCLG list of CCLG Sublicense Agreements. This list was obtained through documents subpoenaed by the Subcommittee.

[13] See Appendix VI for Edgar Mooney's memo regarding the process for gaining approval of items submitted by CCLG's sublicensees.

Mr. Mooney told the subcommittee that, during his tenure as Director of Licensing, he ran into continual road blocks from the CCLG and the Commission in his efforts to develop marketing strategies for the Quincentenary logo. Mr. Mooney was fired from the CCLG in September, 1991. At that time, there was growing media attention concerning the lack of progress in the promotion of the celebration. It appears that Mr. Pfitzenmeier sought to shift blame to Mr. Mooney for the CCLG's troubles and subsequently dismissed him.

B. John N. Goudie

John N. Goudie served as chairman of the Christopher Columbus Quincentenary Jubilee Commission from September, 1985, through December, 1990. As mentioned previously, under Mr. Goudie's tenure, the Commission suffered from poor management of financial resources and inadequate administrative controls.

Early in its investigation, the subcommittee tried to contact Mr. Goudie on at least fifteen different occasions, to afford him an opportunity to tell his side of the story that was unfolding.[14] Mr. Goudie refused to speak with the subcommittee or its representatives. The subcommittee was puzzled by his refusal, in light of the fact that Mr. Goudie had stated in May, 1991, on the NBC news program, Expose, that he wanted to tell his story to Congress.

During the summer and fall of 1991, letters to Mr. Goudie went unanswered.[15] The subcommittee was left with no choice but to compel Mr. Goudie's testimony through the issuance of a subpoena. Mr. Goudie appeared before the subcommittee at a public investigative hearing on November 21, 1991.

The subcommittee believes that Mr. Goudie consistently abused his authority as chairman of the Commission to achieve personal gain. Evidence gathered indicates that he:

- continually engaged in activities that posed serious conflicts of interest;
- received loans from close friends who had received substantial sums of money from the licensing program;
- inappropriately intruded into the management of contracted activities, as well as represented himself as an agent of the CCLG; and
- attempted to sell the exclusive rights to market clothing bearing the Quincentenary logo, despite the fact that the Commission had awarded those rights to the CCLG.

SUBCOMMITTEE FINDINGS

Knoxville International Expositions, Incorporated (KIE)

William Rolen testified before the subcommittee on November 20, 1991. Mr. Rolen helped form KIE to develop a Christopher Columbus Quincentenary exhibit in the former U.S. pavilion located

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[14] See Appendix VII for the list of the Office of Special Investigations' (OSI) attempts to contact John Goudie on the Subcommittee's behalf.

[15] See Appendix VIII for correspondence to Mr. Goudie regarding the Subcommittee's investigation.

on the site of the 1982 Knoxville World's Fair. Efforts to finalize this project were unsuccessful.

Mr. Rolen told the subcommittee that KIE received a written endorsement from the Commission for its project in November, 1988. In May or June, 1989, Mr. Rolen and his associates traveled to Miami to meet with Chairman Goudie to discuss the KIE project in more detail. Specifically, Mr. Rolen presented Mr. Goudie with the estimated financial returns on the KIE project. Also, Mr. Rolen informed Mr. Goudie that KIE was attempting to locate investors for the project who would be able to secure a $3.5 million letter of credit. Later that day,

Mr. Goudie introduced his close and long time personal friend, Manuel Gonzalez, and his business associate, Gunter Pfitzenmeier, as potential investors in KIE's project.

Mr. Rolen and his associate, Randy Tyree, attended a dinner at Mr. Goudie's Coral Gables, Florida, home following the above mentioned meeting. At that time, Mr. Goudie solicited a 65 foot yacht from KIE. He said that the yacht was needed for Commission entertainment and that he wanted it to be tied up at the pier directly behind his home. In a subsequent discussion, Jana Joustra, the Commission's Deputy Director, informed Mr. Rolen that Mr. Goudie could not accept the yacht because it would present a conflict of interest.

Subsequently, Mr. Rolen met with Messrs. Gonzalez and Pfitzenmeier to discuss the KIE project in more detail. When it was revealed that Mr. Rolen would have a 51 percent controlling interest in the project, Messrs. Gonzalez and Pfitzenmeier became disinterested. A few days following that meeting, Mr. Goudie telephoned Mr. Rolen and said that Mr. Rolen had offended his friends. Mr. Rolen also received a call from Jana Joustra, the Commission's Deputy Director, stating that the Commission was not going to move forward with the project if he remained in control. In an effort to salvage the project, Mr. Rolen's associate, Randy Tyree, took over the management of KIE's activities.

Mr. Rolen testified that Mr. Goudie visited Knoxville in May, 1989, accompanied by three Argentines who owned radio stations. Mr. Rolen took the group on a tour of the project and explained how Argentina could be part of KIE's project. One of the Argentines told Mr. Rolen that if KIE paid them $50,000 to advertise KIE's project on Argentine radio, a deal could be struck. Mr. Rolen refused to pay to have the project advertised by the Argentines and his relationship with Mr. Goudie worsened.

From August, 1989, to October, 1990, Mr. Tyree worked to get final approval from the Commission for KIE's project. However, an agreement could not be reached and the project was abandoned.

Christopher Columbus Licensing Group (CCLG)

During Mr. Goudie's sworn testimony on November 2, 1991, he stated that the Commission awarded the CCLG the exclusive rights to market the official Quincentenary logo because the CCLG was the only group that had agreed to pay a $300,000 advance royalty to the Commission. The subcommittee does not believe that Mr. Goudie seriously entertained other offers to market the Quincentenary logo. Instead, the subcommittee believes that the CCLG venture was prearranged. Further, evidence gathered suggests that the CCLG contract was solely a money making venture for Mr. Goudie and his associates, and that it did not benefit the Commission.

Records revealed that Mr. Goudie indirectly received substantial sums of money from the CCLG. As explained later in this report, documents obtained by the subcommittee revealed that Manuel Gonzalez received $122,000 from the CCLG. These monies were either paid directly to him or to his company. During Mr. Gonzalez's sworn testimony on June 19, 1991, he told the subcommittee that he made two loans to Mr. Goudie, totaling approximately $28,000. Mr. Gonzalez said that the loans were made to assist Mr. Goudie with the mortgage payments on his personal residence. The loans were made informally and were not repaid.

The subcommittee also determined that Mr. Pfitzenmeier gave Mr. Gonzalez a money order for $9,000 on July 31, 1989, four days after the CCLG contract was signed. Two months later, on October 3, 1989, Mr. Gonzalez gave Jack Goudie, John Goudie's younger brother, a check for $9,500. Jack Goudie told representatives of the OSI that he used that money to pay the mortgage on his brother, John's, home.

During the course of its investigation, the subcommittee learned that Mr. Goudie inappropriately intruded into the management of contracted activities. The evidence revealed that Mr. Goudie was involved in the day-to-day affairs of the CCLG and that he tried to assert control over the management of the CCLG.[16] The subcommittee believes that the evidence clearly indicates that the transactions between the Commission and the CCLG were not at arms length and represented a clear conflict of interest on the part of the Chairman. Mr. Goudie held himself out as a representative of the CCLG, which had a contract with the federal agency over which he presided.

Theta Marketing Corporation

Peter Dunev testified before the subcommittee on November 20, 1991. Mr. Dunev is the President of Theta Marketing Corporation ("Theta"), located in Clearwater, Florida. He recounted his efforts to obtain an exclusive sublicensing agreement to produce tee-shirts bearing the Quincentenary logo. Mr. Dunev's testimony also described the direct role of John Goudie, as well as that of Manuel Gonzalez, in managing the licensing activities of the CCLG.

Mr. Dunev told the subcommittee that he met Mr. Goudie in May, 1990. After learning of the Commission's planned activities, Mr. Dunev expressed an interest in obtaining a sublicense to market tee-shirts bearing the Quincentenary logo. Mr. Goudie indicated that a New York group, which he did not identify, had already been awarded the clothing sublicense. He said that the New York group had signed a $1 million contract with a $100,000 advance royalty payment.

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[16] See Appendix IX for excerpts from telephone conversations between Mr. Goudie and Tony Baltes. These tapes were provided to the Subcommittee by Mr. Baltes. The Subcommittee presented the tapes to Mr. Goudie at its November 21, 1991, hearing for explanation. Mr. Goudie exercised his Fifth Amendment privilege in response to all questions regarding the tape recordings.

Shortly after their initial meeting, according to Mr. Dunev, Mr. Goudie contacted him and offered to let him match the New York group's offer. Mr. Goudie said that he did not like the principles in the New York group and that he would prefer to do business with Mr. Dunev because he was Hispanic.

According to Mr. Dunev, Mr. Goudie described the structure of the CCLG. He said that it was composed of three people: Manuel Gonzalez, his best friend; Gunter Pfitzenmeier; and Dominic Primato. Mr. Goudie also stated that Messrs. Gonzalez and Pfitzenmeier drew up the CCLG proposal and that Mr. Gonzalez ran the CCLG out of Miami, Florida. In addition, Mr. Goudie assured Mr. Dunev that he foresaw no problem in awarding Theta the contract because he had final approval over all CCLG sublicensing agreements.

Mr. Goudie introduced Mr. Dunev to Manuel Gonzalez in June, 1990. Mr. Dunev told the subcommittee that Mr. Goudie intentionally led him to believe that Mr. Gonzalez was the President of the CCLG. Mr. Dunev questioned Mr. Goudie about his close personal, as well as business, relationship with Mr. Gonzalez. In particular, he asked Mr. Goudie if he thought that his relationship with Mr. Gonzalez presented a conflict of interest. Mr. Goudie responded that he saw no conflict of interest and that as long as all parties involved continued to be pleased, there was nothing to worry about.

Messrs. Dunev and Goudie agreed that Theta would pay the $100,000 advance royalty in four installments of $25,000 each, with the balance of the contract to be in $75,000 increments. Theta's contract provided that the subsequent payments would not begin until after the Caravels had arrived in American waters and the tour of United States port cities had begun.

After Theta's contract was signed, Mr. Dunev said that he began to see warning signs that things were not as they appeared initially. First, he recognized that Messrs. Goudie and Gonzalez's close relationship did present a serious conflict of interest. Second, it became increasingly difficult to contact Mr. Goudie to discuss the Commission's activities. And third, when he did finally contact Mr. Goudie, he always received conflicting information.

When Mr. Gonzalez came to pick up Theta's third installment payment, Mr. Dunev began to raise his various concerns. During the meeting, Mr. Gonzalez received a telephone call on his cellular telephone from Mr. Goudie. Mr. Gonzalez related that Mr. Dunev had not made the payment yet and had a number of concerns he wanted addressed. Mr. Dunev told the subcommittee that he picked up the telephone and Mr. Goudie was quite annoyed at Mr. Dunev's reluctance to make additional payments.

Mr. Dunev testified that Mr. Goudie told him that if he caused any problems, he would see to it that Mr. Dunev got into trouble. Specifically, he threatened Mr. Dunev with unspecified Department of Justice action. Other individuals told the subcommittee that Mr. Goudie had threatened them with unspecified Department of Justice action if they questioned him about his activities.

A few days following that meeting, Mr. Dunev received a letter by fax from Gunter Pfitzenmeier, stating that Theta's sublicensing agreement had been terminated.

The Theta arrangement clearly demonstrates that Mr. Goudie did not protect the Commission's best interests in negotiating the contract with the CCLG—a contract that was extraordinarily unfavorable to the Commission. For example, Theta's agreement provided that the company would receive 90 percent of the profits from the sale of tee-shirts, with only 10 percent going to the CCLG. CCLG's contract with the Commission, in turn, provided that the Commission would receive only 15 percent of the CCLG's profits. It is estimated that Theta's contract could have been worth $550 million. The Commission would have received only one and a half percent of that amount.

Efforts to Market the Quincentenary Logo

On November 20, 1991, the subcommittee heard testimony from Mr. Robert Coy of Miami, Florida. Mr. Coy's testimony related to the direct role of John Goudie, as well as that of Peter Santiago, in attempting to market the rights to produce clothing bearing the Quincentenary logo.

Peter Santiago, of Coconut Grove, Florida, is a close personal friend of John Goudie's younger brother, Joseph.

Mr. Santiago appeared before the subcommittee in Executive Session on July 25, 1991. His appearance was compelled through the issuance of a subpoena.

Mr. Coy told the subcommittee that a business associate of his learned of an opportunity from an acquaintance, Randall Heiman [17], to purchase the exclusive rights to produce clothing bearing the Quincentenary logo. The subcommittee learned that the potential venture involved Messrs. Santiago and Goudie.

Messrs. Coy and Heiman and their associate arranged for a meeting with Mr. Santiago in November, 1990. This meeting took place at Mr. Santiago's residence. When the Coy group arrived for the meeting, Mr. Santiago introduced them to John Goudie.

According to Mr. Coy, Mr. Goudie showed the Commission's promotional tapes and discussed in great detail the Commission's planned activities for the Quincentenary celebration.

Mr. Goudie told Mr. Coy that Mr. Santiago had purchased the exclusive rights to market clothing bearing the Quincentenary logo for $300,000. To lend credibility to this fact, Messrs. Goudie and Santiago produced a document that they said was Mr. Santiago's contract.

Mr. Coy told the subcommittee that Mr. Santiago conducted the negotiations regarding the price of the sublicense.

Mr. Santiago said that the sublicense would cost $300,000 and that the money had to be paid, in full, within 48 hours. This statement alone caused Mr. Coy to exercise considerable caution as the negotiations continued.

Mr. Coy testified that he began to see more red flags and think that Messrs. Santiago and Goudie were hustling him and his associates when Mr. Santiago could not agree to any specifics regarding the split of profits. In addition, Messrs. Goudie and Santiago pres-

[17] Randall Heiman appeared before the Subcommittee, in Executive Session on July 25, 1991. His appearance was compelled through the issuance of a subpoena. His testimony fully cooberated the subsequent testimony of Mr. Robert Coy.

sured Mr. Coy and his associates to make a hasty decision that day on whether or not they were going to purchase the license from Mr. Santiago. Mr. Coy decided that they needed some time to think about the offer.

Mr. Coy told the subcommittee that the day following their initial meeting, he requested more detailed information from Mr. Santiago about the Commission's plans. Mr. Coy said that Mr. Santiago became very angry and abusive in his language. That was the last contact that Mr. Coy had with Messrs. Goudie and Santiago.

As mentioned earlier, Mr. Santiago appeared before the subcommittee on July 25, 1991. The subcommittee believes that Mr. Santiago's sworn testimony, regarding his involvement in attempts to market the rights to produce clothing bearing the Quincentenary logo, was both untruthful and misleading. During the course of questioning, he experienced great difficulty in recounting any of the events described above. Specifically,

Mr. Santiago stated on numerous occasions that he could not remember:

- if he actually attended such a meeting;
- who any of the other attendees were; and
- the purpose of the meeting or what was discussed.

However, the subcommittee finds that Messrs. Coy and Heiman's accounts of their dealings with Messrs. Goudie and Santiago were clear and truthful. Accordingly, the subcommittee has concluded that Messrs. Goudie and Santiago were attempting to extort $300,000 for their own personal gain through the fraudulent sale of rights to the Quincentenary logo over which they had no legal control.

In addition, evidence gathered revealed that during the same time frame that Messrs. Goudie and Santiago were attempting to market this exclusive licensing agreement, Manuel Gonzalez and the CCLG were involved in an exclusive licensing deal with Peter Dunev, who is discussed in an earlier section, for the same merchandise. Mr. Dunev had already begun making advance royalty payments on his contract.

C. Manuel Gonzalez

Manuel Gonzalez is President of Latin American Consulting Engineers, Inc. (LACE). He is a self-described close and long time personal friend of John Goudie.

Mr. Gonzalez appeared before the subcommittee, in Executive Session, on June 19, 1991. His appearance was compelled through the issuance of a subpoena. He testified that he was not an officer, stockholder, agent, or representative of the Christopher Columbus Licensing Group (CCLG); nor did he have any knowledge about CCLG activities. However, the subcommittee received sworn testimony from several witnesses on November 20, 1991, describing in detail Mr. Gonzalez's role in the establishment, management, and ownership of the CCLG.

Evidence gathered suggests that he:

- was involved in the Commission's licensing activities prior to, as well as following, the contract with the Christopher Columbus Licensing Group (CCLG);

• often represented himself as an agent of the Commission and/or the CCLG; and

• received improper financial gain resulting from his friendship with former Chairman Goudie, and in turn, loaned Mr. Goudie money that was never repaid.

SUBCOMMITTEE FINDINGS

Knoxville International Expositions, Incorporated (KIE)

As mentioned earlier in this report, William Rolen, KIE's representative, testified before the subcommittee on November 20, 1991. Efforts to finalize KIE's project were unsuccessful.

Mr. Rolen was introduced to Manuel Gonzalez and Gunter Pfitzenmeier by Chairman John Goudie. Mr. Goudie introduced Messrs. Gonzalez and Pfitzenmeier as potential investors in KIE's project. It is important to note that this introduction took place following Mr. Rolen's presentation of the estimated financial returns from the KIE project. All parties agreed that Messrs. Gonzalez and Pfitzenmeier would visit Knoxville for further discussions.

Jana Joustra, the Commission's Deputy Director, made arrangements for the Knoxville meeting. She also attended the meeting as the Commission's representative. Mr. Rolen testified that during the meeting, Mr. Gonzalez presented himself as if he were the Commission's spokesman. Upon reviewing the project,

Mr. Gonzalez informed Mr. Rolen that in return for his investment, he wanted a percentage of the project's profits. When told that Mr. Rolen would have a 51 percent controlling interest in the project and that KIE would negotiate a 10–25 percent interest in return for their investment, Messrs. Gonzalez and Pfitzenmeier became disinterested.

Several additional meetings were held in an effort to finalize KIE's project with the Commission. However, no agreement could be reached. Therefore, the Commission again failed to take advantage of an opportunity that potentially could have yielded a substantial financial return, as well as contributed to the Quincentenary celebration in a positive manner.

The subcommittee believes that Mr. Gonzalez's sworn testimony on June 19, 1991, regarding the KIE project, was both untruthful and misleading. He stated that:

• he traveled to Knoxville, Tennessee, to discuss a real estate venture;

• he never had a business relationship with Gunter Pfitzenmeier; and

• he never discussed the KIE project with former Commission Chairman John Goudie.

Christopher Columbus Licensing Group (CCLG)

The subcommittee believes that Mr. Gonzalez was instrumental in organizing the CCLG and that he assisted in drafting the CCLG's licensing agreement. In addition, evidence gathered by the subcommittee suggests that Mr. Gonzalez was intimately involved in the daily activities of the CCLG. Further, records revealed that he received $122,000 from the CCLG. Those funds were either paid directly to him or to his company, LACE.

Tony Baltes, who represented the minority stockholders who paid $500,000 to the CCLG for a 25 percent ownership interest, testified before the subcommittee on November 20, 1991. He discussed the role of Mr. Gonzalez in the management and ownership of the CCLG. His testimony described the direct role of Manuel Gonzalez, as well as John Goudie, in managing the activities of the CCLG.

As mentioned earlier in this report, according to Mr. Baltes, Gunter Pfitzenmeier claimed that he paid John Goudie an additional $150,000 "under the table" for the right to control the licensed merchandise where it was sold. Mr. Pfitzenmeier indicated that Mr. Gonzalez received a share of the $150,000.

Mr. Baltes told the subcommittee that he attended a meeting at the Florida home of Gunter Pfitzenmeier in January, 1990. The purpose of this meeting was for Mr. Baltes to receive a formal introduction to Mr. Goudie and to discuss CCLG's activities. However, Mr. Gonzalez attended the meeting in Mr. Goudie's place. Mr. Gonzalez introduced himself as John Goudie's assistant. In particular, according to Mr. Baltes, he said that he was "John's right arm on Commission matters."

When the minority stockholders raised concerns about CCLG's participation with the Texaco tour of the Caravels,

Mr. Pfitzenmeier provided them with an interpretation of Texaco's agreement with the Commission that he said came from a Miami attorney. It was later revealed by Mr. Gonzalez that he actually wrote the interpretation. Mr. Gonzalez also told Mr. Baltes that he had a significant role in drafting the CCLG contract.

Mr. Baltes testified that Mr. Pfitzenmeier subsequently confirmed Mr. Gonzalez's role in drafting the contract.

Mr. Baltes told the subcommittee that in March, 1990, the Commission suspended its agreement with the CCLG. Following the suspension, Mr. Baltes said that he and Mr. Kane were notified by Mr. Pfitzenmeier that they were relieved of all duties and responsibilities involving the CCLG. Mr. Baltes then contacted Mr. Gonzalez who said that he could address their concerns.

According to Mr. Baltes, in April, 1990, Mr. Gonzalez proposed a reorganization of the CCLG that would place Mr. Gonzalez in control of all CCLG activities. Mr. Gonzalez said that his proposal had been approved by Mr. Goudie.[18] The minority stockholders did not agree with Mr. Gonzalez's proposed reorganization of the CCLG. Shortly thereafter, Mr. Pfitzenmeier relieved them of their duties as officers of the Group and denied them any further role in the Group's activities.

The subcommittee believes that Mr. Gonzalez's sworn testimony on June 19, 1991, regarding his involvement in the activities of the CCLG, was both untruthful and misleading. He testified that he was not an officer, stockholder, agent, or representative of the CCLG, when clearly he was directly involved in the activities of the Group with John Goudie's full knowledge.

The subcommittee presented Mr. Gonzalez with various documents discussing CCLG activities. Each document bore Mr. Gonza-

[18] See Appendix X for document entitled "CCLG Proposal by MG." The document was obtained from the Minority Stockholders.

lez's name or initials. Upon review, Mr. Gonzalez stated that he was not familiar with any of the documents shown to him.

Mr. Gonzalez did acknowledge receiving a finders fee of $49,000 from the CCLG for his efforts to identify a tee-shirt sublicensee. However, he could not recall the exact reason why he received an additional $73,000 out of CCLG funds. He indicated that the $73,000 may have represented payment for engineering work his company performed for Gunter Pfitzenmeier. If this was the case, then the CCLG clearly misused its corporate funds to benefit friends of Chairman Goudie.

Theta Marketing Corporation (Theta)

As mentioned earlier in this report, Peter Dunev, Theta's president, testified before the subcommittee on November 20, 1992. His testimony described the direct role of Manuel Gonzalez, as well as John Goudie, in managing the activities of the CCLG.

In May, 1990, Mr. Dunev learned of the Commission's planned activities from Mr. Goudie and expressed an interest in obtaining the rights to market tee-shirts bearing the official Quincentenary logo. Shortly thereafter, Mr. Goudie gave Mr. Dunev the specific information about the CCLG. According to Mr. Dunev, Mr. Goudie said that:

- the CCLG was composed of three people, one being Manuel Gonzalez, his best friend;
- Mr. Gonzalez was instrumental in drawing up the CCLG contract; and
- Mr. Gonzalez actually ran the CCLG out of Miami, Florida.

In addition, Mr. Dunev told the subcommittee that Mr. Goudie led him to believe that Mr. Gonzalez was the President of the CCLG.

In June, 1990, Luis Uriarte, Mr. Dunev's business partner, met with Mr. Gonzalez to propose an installment plan for the payment of the $100,000 advance royalty. Mr. Gonzalez rejected Theta's initial proposal. Subsequently, Messrs. Dunev and Goudie reached agreement on a payment plan that was acceptable to all parties.

According to Mr. Dunev, Mr. Gonzalez told him that he was one of four CCLG shareholders, each with 25 percent ownership. However, when asked for clarification, Mr. Goudie said that there were only three shareholders with Mr. Gonzalez holding 33 percent of the stock.

Mr. Dunev paid two installments (totaling $50,000) on the exclusive licensing agreement for tee-shirts bearing the Quincentenary logo. Mr. Gonzalez collected those checks on behalf of the CCLG, and in return received a finders fee of $49,000 from the CCLG. Therefore, the royalties that the CCLG was collecting were being used not to benefit the licensing program or the Commission, but to benefit personal friends of Mr. Goudie.

Mr. Dunev told the subcommittee that, after Theta's contract was signed, he began to see warning signs that things were not as they appeared initially. First, he recognized that Messrs. Gonzalez and Goudie's close relationship presented a serious conflict of interest. Second, it became increasingly difficult to contact Messrs. Gonzalez and Goudie. Third, Mr. Gonzalez told Mr. Dunev that he would entertain offers to run Commission events at the ports when the minority stockholders already had that right.

After receiving continually conflicting information from Messrs. Gonzalez and Goudie regarding the CCLG and the Commission's planned celebrations, Mr. Dunev refused to make additional royalty payments. In September, 1990, Mr. Dunev received a letter from Gunter Pfitzenmeier saying that since its third advance royalty payment was late, Theta had defaulted on its agreement. Mr. Uriarte contacted Mr. Gonzalez and requested an extension of the deadline. On October 10, 1990, Mr. Dunev received a letter on CCLG letterhead, signed by Mr. Gonzalez, stating that CCLG would not grant Theta an extension. On that same day, an additional letter was received from Gunter Pfitzenmeier stating that Theta's contract had been terminated.

FINDINGS AND CONCLUSIONS

The unfortunate result of the widespread mismanagement and ineptitude described at the subcommittee's hearings was a taxpayer-funded Commission that was unable to carry out its mandate of planning activities in recognition of the Columbus Quincentennial, in which the entire nation could take part and enjoy.

The subcommittee believes that John Goudie was not qualified to serve as Chairman of the Columbus Commission. He had no experience in planning, coordinating, and executing events on a national scale. He clearly lacked the skills necessary to manage the fiscal and administrative functions of a federal agency. He also lacked the skills to conduct a successful fundraising program, which was necessary to supplement the modest annual federal appropriation the Commission received.

The subcommittee believes that Mr. Goudie awarded the licensing contract to the CCLG (which clearly was not qualified to manage such a program) either because he desperately needed the cash the CCLG was willing to give upfront to rescue the financially unsound Commission or because he simply saw an opportunity to achieve personal financial gain from the contract. Either way, the CCLG contract was unsound, at best, and fraudulent, at worst. Mr. Goudie must bear direct responsibility for the failure of the licensing program, which ultimately tarnished the Commission's reputation and placed a cloud over the entire effort to conduct a national Quincentenary celebration.[19]

Based on evidence gathered during its investigation, the subcommittee reached the following conclusions:

- John Goudie abused his authority as chairman of the Commission;
- widespread conflict of interest in planning Commission activities existed during John Goudie's tenure;
- John Goudie inappropriately intruded into the management of contracted activities;

[19] Fortunately, after Mr. Goudie's resignation, the Commission was able to salvage some of the previously planned programs under the direction of Chairman Frank Donatelli and his staff, and to prepare a series of activities that capture the significance of Columbus' voyages 500 years ago.

• bribery and fraud existed with respect to the awarding of licenses to market the official Quincentenary logo; o the CCLG inappropriately used corporate funds to benefit some of its officers, John Goudie, and friends of Mr. Goudie; and

• the CCLG was insolvent.

DEPARTMENT OF JUSTICE REFERRAL

Because criminal prosecutions are the responsibility of law enforcement agencies of the Executive Branch, on February 20, 1992, the subcommittee referred to the Department of Justice evidence that suggested possible criminal and unlawful conduct and warranted further investigation.[20]

RECOMMENDATIONS

The subcommittee has concluded that the Commission's authorizing legislation, as amended, may have contributed in part to the difficulties that the Commission experienced in raising the necessary funds to mount a proper celebration. The concept of providing only seed money to a holiday commission through federal appropriation should be reevaluated. Federal commitment to a particular celebration or event perhaps should be supported by enough funds to allow a programmatic, rather than fundraising, focus.

The subcommittee strongly suggests that future legislation proposing to establish a federal holiday commission should be reviewed carefully. In particular, any future legislation should include safeguards and oversight mechanisms to ensure that taxpayer dollars are spent wisely in planning and preparing for activities and events in honor of that event. Examples of these safeguards include:

• the appointment of the chairman by the President, rather than the selection of a chairman by a group of Commissioners who may not be acquainted with each other;

• requiring the Inspector General of the General Services Administration (GSA) to conduct annual audits of the commission, and report those findings to the President and the Congress;

• requiring the Commission to submit an annual report to Congress, including an accounting of funds received and expended;

• prohibiting the licensing of any logo or symbol certified by the commission for the purpose of raising revenues for commission programs or for any other commercial venture. Such efforts have proven to be unmanageable in the past and have not added to revenues for federal holiday commissions;

• shorten the length of time for planning commemorative events. (The Columbus Commission was established eight years before the Quincentenary celebration—clearly an unnecessarily long period of time to plan and prepare for such an event.)

Early in 1992, the subcommittee asked the General Accounting Office to conduct a review of federal commissions, committees, and boards. GAO is preparing to make recommendations on the appropriate structure and organization of federal commissions.

[20] See Appendix XI for February 20, 1992, letter of referral to the Department of Justice.

ONE HUNDRED FIRST CONGRESS

THOMAS C. SAWYER, OHIO, CHAIRMAN

MERVYN M. DYMALLY, CALIFORNIA — THOMAS J. RIDGE, PENNSYLVANIA
MICHAEL R. McNULTY, NEW YORK — ROD CHANDLER, WASHINGTON

Appendix I

U.S. House of Representatives

COMMITTEE ON POST OFFICE AND CIVIL SERVICE
SUBCOMMITTEE ON CENSUS AND POPULATION
608 HOUSE OFFICE BUILDING ANNEX I
Washington, DC 20515-6245

TELEPHONE (202) 226-7523

October 4, 1990

Mr. John N. Goudie
Chairman
Christopher Columbus Quincentenary
Jubilee Commission
1801 F Street, N.W.
Washington, D.C. 20026

Dear Mr. Goudie:

As you know, October 12, 1992, will mark the 500th anniversary of Christopher Columbus' maiden voyage to the "New World." The Christopher Columbus Quincentenary Jubilee Commission was established in 1984 to coordinate an exciting celebration, through local, national, and international observances, that would serve to educate, as well as focus attention on the significance of this historic event.

As the nation approaches the quincentennial of the voyages of discovery of Christopher Columbus, the Subcommittee on Census and Population, which has oversight responsibility for the Commission, believes this an appropriate time to review the Commission's past and present activities, as well as its plans over the next two years.

Your response to the enclosed set of questions would greatly assist the subcommittee in its review of the Commission's activities. We would appreciate receiving your responses to these questions no later than October 12, 1990.

Thank you in advance for your cooperation with this request. We look forward to working with the Commission as it continues its work toward developing appropriate ceremonies that would pay special tribute to the man who was responsible for bringing a diverse group of people to the land we now call America and the islands of the Caribbean.

Sincerely,

Tom Sawyer — Tom Ridge

THOMAS C. SAWYER
Chairman

THOMAS J. RIDGE
Ranking Minority Member

Enclosure
TCS:jc

cc: Honorable Neal Smith

QUESTIONS FOR THE CHRISTOPHER COLUMBUS QUINCENTENARY JUBILEE COMMISSION

1) Section 4(c) of Public Law 98-375 requires that the Commission submit an annual report to the Congress on the activities of the Commission, including an accounting of funds received and expended. To date, the Committee has received two such reports.

   (a) Please explain why the Commission has submitted only two reports to Congress in five years.

   (b) What is the specific role of the Commission in planning and coordinating events and activities it has recommended or cited in its most recent report to Congress?

2) Section 10(a) of Public Law 98-375 prohibited the commercialization of any symbols designated by the Commission for use in connection with the commemoration of the quincentennial. Public Law 100-94 amended this section to permit licensing of the Christopher Columbus Quincentenary Logo, in order to raise money for Commission sponsored events.

   (a) What contracts have been executed by the Commission to license the use of the logo?

   (b) Were such contracts competitively bid?

   (c) If contracts have been executed, what has been the experience of the licensee in promoting the sale of goods using the logo?

   (d) What are the terms of any such contracts that relate to the Commission's share of the proceeds? How will sales be monitored?

   (e) Are there competing logos relating to the Quincentennial sponsored by other entities or governments?

   If so, what effect may this have on the value of the Commission's logo, and hence, the income of the Commission?

   (f) Where and how will these goods be marketed?

   (g) How will sales at Commission sponsored events be managed, and by whom?

3) The Congress was explicit in its desire to avoid commercialization of the Quincentennial celebration.

What has the Commission done to ensure that events and activities are conducted for purposes of education, recognition, and a celebration of our common history?

4) The Christopher Columbus Quincentenary Jubilee Act Amendments authorized the Commission to seek sponsorships from corporations in an amount not to exceed $1 million per year.

(a) How many such sponsorships have been arranged and in what amounts?

(b) How, and by whom, are sponsorships solicited?

5) You may recall that, at the hearing to review the amendments to Public Law 98-375, the Chairman of the Subcommittee stated that in order to avoid any undue influence on the Commission or its activities, or undue commercialization of events, that no one corporation or entity should become too prominent in the Commission and in its activities.

How is the Commission ensuring that any corporate involvement is broad based?

6) It is the subcommittee's understanding that the Commission's contract with the Christopher Columbus Licensing Group (CCLG) provided authority for the CCLG to seek sponsorships on behalf of the Commission. We further understand that subsequent to the execution of the agreement, the Commission withdrew the right for the CCLG to seek sponsorships.

(a) Please provide the subcommittee with a copy of the contract with the CCLG.

(b) Under what authority did the Commission withdraw the right from the CCLG to seek sponsorships?

(c) What action did the Commission take, in lieu of CCLG involvement in securing sponsorships, in order to ensure broad based support for the Commission's activities?

7) The Government of Spain has constructed replicas of Columbus' ships, the Nina, the Pinta, and the Santa Maria (collectively called the "Caravels"), which will visit up to 30 ports in the Americas in connection with Commission sponsored events. We understand that the Commission has executed agreements with representatives of the Government of Spain relating to these ships. What do these agreements provide regarding:

   (a) Ownership of the vessels while in U.S. waters?

   (b) Control of the itinerary of the vessels?

   (c) Access to sites and income from visitor fees or sales of goods at events at which the vessels are present?

8) Please provide the Committee with an itinerary for the visit of the Caravels to the Americas, indicating which cities have signed firm agreements, and under what conditions these visits can take place.

9) The law creating the Commission mandated that it serve as a clearinghous for all quincentenary information and encourage participation through local, national, and international observances.

   What specific assistance has the Commission provided to State Columbus Commissions in thier planning for 1992?

10) The Commission held a series of regular business meetings on September 11 - 12, 1990, that were listed in the Federal Register as "closed."

   (a) Is it common practice for the Commission to conduct meetings that exclude anyone with an interest in the Commission's work other than Commissioners?

   (b) Under what circumstances are these meetings closed to the general public?

   (c) For what reason were the meetings of September 11 - 12, 1990, closed to the public?

CHRISTOPHER COLUMBUS 500 QUINCENTENARY JUBILEE COMMISSION

OCT 18

October 17, 1990

Mr. Thomas C. Sawyer
Chairman
Mr. Thomas J. Ridge
Ranking Minority Member
U. S. House of Representatives
Subcommittee on Census and Population
608 House Office Building Annex I
Washington, D.C. 20515-6245

Dear Mr. Sawyer and Mr. Ridge:

Enclosed please find the responses requested in your correspondence of October 4, 1990 concerning the activities of the Christopher Columbus Quincentenary Jubilee Commission.

It is my understanding that a member of your staff corrected the due date for the responses from October 12, 1990 to October 18, 1990. I hope you will find the explanations completed in a thorough and timely manner.

Of course, please do not hesitate to contact our office should you have additional questions. Thank you for your consideration.

Cordially,

John N. Goudie
Chairman

1801 F STREET NORTHWEST, WASHINGTON D.C. 20006
202-632-1992

RESPONSE TO QUESTIONS FROM THE

U.S. HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON CENSUS AND POPULATION

1. (a) The Commission has attempted to submit an annual report to Congress each year, updating its information as its number of endorsed projects grows, its involvement with other commissions and Quincentenary organizations increases, etc. However, it is important to note that each of these reports must be cleared through the Office of Management and Budget. The last annual report, for example, was in OMB for eighteen months before a final draft was approved.

This, in addition to the fact that the staff of the Commission numbers only seven, and has in the past been as low as three, has made it extremely difficult to turn out a report of this size and breadth each year.

It should be understood, however, that the two reports that are in print are a good representation of the Commission's activities, and with the exception of recently endorsed projects that have been added to the Commission's roster as of its last meeting, is a fairly current representation of its program involvement.

(b) Depending upon the source of the initiative behind each event, activity or program, the role of the Commission changes to meet needs. Projects submitted by others to the Commission for endorsement as <u>Official Quincentenary Programs</u> are generally permitted use of the Commission's Official Logo in printed and publicity materials, identifying them with national and international activities of the Commission.

In some cases, the Commission participates directly in details of projects they have endorsed. The Georgia State University recently found itself short of funds to put the final touches on an endorsed film project. The Commission put the producers in touch with a firm known to have interest in sponsoring such projects. The necessary funding was provided.

Individual members of the Commission participate in endorsed academic symposia and conferences, offering their expertise to the issue.

As proposals are considered for endorsement, members of the Commission and/or staff frequently offer suggestions to proponents that increase the effectiveness of the project or cause it to fit the themes of the Quincentenary. The Commission's Program Committee recently reviewed a project that contained several items of educational interest to young children, all pertaining to the voyages of Columbus. The recommendation was made to include materials relating to indigenous people of the Americas at the time of Columbus' arrival. The producers expressed their appreciation for the suggestion and have implemented it in the development of the kit.

The Commission assists organizers of musical events by referring performers and groups as participants. An endorsed theatrical group in New York was referred to the organizers of a regional festival in Memphis that is also endorsed as an Official Quincentenary Project. A music composer who had submitted a work for endorsement was chosen by the Commission to prepare a work for use in the caravel tour program.

The Columbus Scholars Program is being developed and directed by the Commission as a lasting memorial to the achievements of Columbus and the spirit of learning he exemplified. The organizational plan, curriculum, accreditation, funding and long-term management of this program are currently being addressed by the Commission, its Columbus Scholars Advisory Committee and staff. A pilot program for the New World Summer segment was organized by the Commission and was held in the Dominican Republic in 1990 for sixty-four American, Dominican and Japanese students with valuable knowledge gained regarding details of the program. New World Summer for 1991 is currently under development by the Commission including the establishment of an adequate interim financial base.

Legislation to authorize the striking of a commemorative Columbus coin and the establishment of the Columbus Scholars Foundation was prepared by the Commission for submission as Senate Bill 2925. The bill is currently in the Banking, Housing and Urban Affairs Committee and action is expected this session. Legislative support and backup services are provided to Senate offices by the Commission regarding this crucial legislation. The long term future of the Columbus Scholars Program rests on this authorization.

The Columbus Quincentenary Commission, in a joint venture with the Spanish Government will tour reproductions of the NINA, the PINTA and the SANTA MARIA to more than fifty port cities in the Americas. The Commission and its staff provide tour organization planning, coordination with federal, state and local agencies, ground and marine support services, and negotiations with sponsoring agencies.

Accompanying the tour of the caravels is to be a program of cultural exhibitions, performances and events that will broaden the experiences of a visit to see the caravels. Themes cited in the Report to Congress are major themes of the exhibition program. This program is being developed by the Commission which will maintain responsibility for its management.

Grand Regatta Columbus '92 - Quincentenary, a flotilla of tall ships from all continents is represented in the United States by the Columbus Quincentenary Commission. The Commission coordinates all relations between the Grand Regatta and U.S. federal, state and local agencies and offices, including the U.S. Navy, U.S. Coast Guard, various harbor managers and host cities.

The 1992 Universal Exposition, wit.. the theme of "The Age of Discovery," to be held in Seville, Spain is administered by USIA and supported by funding from federal appropriation and from the private sector. The Columbus Quincentenary Commission became directly involved in recent dealings with Congress regarding the authorization to commit funds to the stalled program.

2. (a) The Commission executed a licensing agreement with an organization called the "Christopher Columbus Licensing Group, Inc., (CCLG)," authorized to issue sub-licensing contracts on behalf of the Commission, for purposes of developing commemorative merchandise for sale at Commission events. The CCLG is currently developing a full line of such merchandise in cooperation with a number of entities. The terms and benefits of these sub-licensing agreements with relation to the Commission and its expected royalties are laid out in the CCLG Agreement with the Commission, which is appended to this report.

In addition, the Commission has an agreement with a direct mail organization, "MWM, Inc.," which provides for a direct response campaign on behalf of the Commission, including the use of the Official Logo. A copy of this agreement is also attached herewith.

(b) These contracts were selected from a number of proposals that had been received by the Commission offering similar services, because they were determined by the Commission members of appropriate committees and by staff to be the best overall packages for the benefit of the Commission and the commemoration as a whole.

It should be noted that the Commission, by virtue of a Comptroller General opinion attached herewith, is <u>not</u> obligated to go through the competitive bid process when seeking such services from vendors, because it is inherent in the Commission's legislation that it be free to consider proposals that may include a donation of funds or services, or reduced rates for services, as more desirable than others.

Because the Commission's mission includes seeking such donations for the benefit of the Quincentenary, the competitive bidding process was seen as inappropriate in this case. For example, of all the licensing proposals received by the Commission, CCLG's was <u>the only one</u> to offer an up-front cash donation to the Commission <u>in addition to</u> a royalty on future sales. In like fashion, MWM, Inc. was the only such direct mail organization to present to the Commission a proposal in which <u>all</u>

start-up costs for the program were borne by the Agent.

(c) The reputations of both the above-mentioned organizations, as presented in their resume materials, indicated to the Commission that they were more than adequately qualified for their respective duties. Both organizations were, although not as widely-known as other groups who submitted proposals, seen by the Commission to be capable of executing tasteful programs that would protect the integrity of the Quincentenary effort.

In many other instances, particularly with regard to the licensing agent category, organizations submitting proposals were seen to be, in the view of both Committee members and staff, too commercial in their approach; and in others, downright tacky.

(d) As noted above, both the aforementioned agreements are attached to this report, and the financial terms may be found therein. Procedures for monitoring sales are laid out in both agreements.

(e) As the members of this subcommittee are undoubtedly aware, a myriad of organizations focusing on the Quincentenary have sprung up in the last several years, both for-profit and non-profit, as well as many which are related to a state, local, or foreign government. It may be assumed that many, if not all, of these organizations will attempt to license their respective marks and logotypes, in an attempt to raise funds and make money.

However, the Commission is the official Presidential entity charged with overseeing all activities for the Quincentenary on behalf of the United States, and this fact surely carries a great deal of weight with corporations and the public at large. Consequently, the Commission is of the opinion that its licensed products will suffer no great hardship from the presence of these marks in the marketplace.

(f) The Commission's commemoratives will be marketed in a number of ways: on-site sales at official Commission events; mail-order; retail or discount venues; and, where appropriate, they will be used as premiums by corporate sponsors who have requested such an arrangement in their sponsorship agreements.

(g) Sales at Commission-sponsored events will be monitored by Commission-paid staff who will be retained expressly for this purpose, in conjunction with CCLG staff. Where appropriate, these staffers may be joined by representatives of corporate sponsors.

3. Each project submitted for endorsement by the U.S. Columbus Quincentenary Commission passes through a rigid process of examination and evaluation to assure that cultural significance and educational value are maintained. The five themes cited in the Report to Congress serve as a basis of evaluation by review committees -- made up of Commission members -- before proposals

receive Commission endorsement as Official or Registered Projects. No projects receive Official Quincentenary Project endorsement that have not passed through this review process. As necessary, proponents of projects that are marginal in cultural significance are given suggestions by Commission members to improve project quality. Most projects are revised to include these recommendations and are re-submitted for endorsement.

4. (a) The Commission's primary sponsor at the present time is Texaco, Inc. The Sponsorship Agreement between the Commission and Texaco provides for an annual donation of $1 million per year for five years, beginning in 1988 and running through 1993.

In addition to Texaco, Bacardi Imports provides ongoing support, both cash and in-kind, on a project-by-project basis. For example, Bacardi donated $10,000.00 in cash for a recently-completed Native American project of the Commission, a film produced by Georgia State University entitled, "Voices in the Wind."

(b) Because the Commission's annual appropriation is so small, it could not afford to hire an agency on a retainer basis, as many organizations do, to solicit sponsors. Therefore, sponsorship solicitation has been conducted by Commission members and staff.

In addition, the Commission is currently working with individual contractors who are willing to seek corporate sponsorships at their own expense, in exchange for a commission on any deal successfully completed. Their sponsorship solicitation is limited to one corporation at a time, for a period of ninety to one hundred and eighty days.

It is important to point out that, in addition to the sponsors already signed, Official Sponsorship agreements involving a donation level of $1 million per year each are currently pending with a major automotive and soft drink company. The Commission is also currently negotiating with a hotel chain and a national transportation company, as well as a major utility.

5. The Commission takes great pains to see that no corporate entity becomes so invasive in its Quincentenary involvement that it overshadows the mission of the Commission or diminishes the integrity of the commemoration. In order to ensure that this does not happen, the Commission's Finance Committee carefully reviews all sponsorship proposals before they are finalized.

In addition, an Advisory Council of corporate sponsor representatives has been created to ensure that corporate involvement is broad-based, and to assist with oversight on commercial activity by Commission sponsors.

6. (a) Attached.

(b) The Commission withdrew CCLG's authority to solicit corporate sponsors because sponsorship solicitation by the same organization that was attempting to develop the licensing program for the Commission was found, in practice, to be confusing to the public, especially when members of the Commission and its staff were often in contact with the same corporate representatives contacted by CCLG.

The provision regarding sponsorship solicitation was withdrawn from the agreement by mutual consent of the Commission and authorized representatives of CCLG.

(c) As stated, the Commission's sponsorship activities are conducted by both Commission members and staff in a manner seeking broad-based corporate support for the Commission and its programs.

7. (a) With regard to the three replicas of Columbus's ships that will sail from Spain to the Americas next year, ownership of the vessels, in order to facilitate all necessary Coast Guard certification and approval, will remain with the Spanish Government. If ownership were to pass to the Commission, certification requirements on U.S. owned vessels would be prohibitive on such historic ships, and they would, in all likelihood, never receive the necessary authorization to sail U.S. waters.

However, it should be noted that, pursuant to the terms of the Commission's written agreement with Spain concerning these ships, the Commission maintains control over the ships while they are in the western hemisphere, thus enabling the Commission to take the tour to as many ports as possible.

(b) Again, based upon its agreement with Spain, the Commission will establish and manage the itinerary of the vessels in the western hemisphere, in cooperation with the Spanish Government.

(c) With regard to access to sites and income from visitor fees or sales of goods at events at which the vessels are present, the Commission will share any proceeds from income related to visitor fees equally with the Spanish Commission, only after all expenses for the tour have been paid. The Commission will dedicate any such proceeds of its share to the Columbus Scholars Program.

With regard to sales of goods, the Commission will divide its income from these sales according to the terms of its agreement with CCLG. The Spanish Commission has a separate merchandising arrangement, and will divide its proceeds with its licensing agent accordingly.

All these terms are subject to arrangements with the appropriate governing entities in each port city and it is expected that the port city contracts for each visit of the Caravels will be signed over the next two months.

8. A copy of the draft itinerary for the ships is attached. This calendar will not be final until the Spanish Commission has approved it (this is expected October 20), and until the city contracts have been signed with each port.

9. The Columbus Quincentenary Commission has entered into an agreement with Millersville University (Pennsylvania) to process data that makes up the Quincentenary Calendar. The Calendar will be in a constant state of up-dating, revision, completion as new information becomes available from sources across the country and around the world. The Calendar will be available to subscribers to CIRS (Computerized Information Retrieval System) at Millersville University and to those who inquire at the Washington offices of the Commission. The Calendar may be presented as a running chronology of events and programs, as a state-by-state chronology, or as a chronological list by category; museum exhibitions, festivals, maritime events, etc. The program allows up to 30 single categories, any number of states and nations chronological listings of any period length. Hard copy print-outs will be made available through the Columbus Quincentenary Commission offices for mail or FAX to users.

The Calendar development system has been tested and data is currently being processed by Commission staff. This data is transferred to Millersville University by phone line and entered into the main file storage system for processing.

State, local and regional Quincentenary organizations, institutions, agencies and Quincentenary Commissions of other nations have been contacted regarding the Calendar and information is currently being received in the Commission office for entry.

Maintenance of the Calendar is constant and will continue for the entire Quincentenary period; until December 31, 1993. Data will be permanently filed with the Quincentenary archive under development at the University of New Mexico.

The Commission maintains constant contact with Quincentenary commissions or offices in thirty-nine states, eleven cities, the major federal cultural agencies and twenty-five other nations. Information of all types is exchanged in both directions. The Commission serves as liaison between foreign Quincentenary groups and U.S. agencies. State and city Quincentenary groups exchange information with the U.S. Commission that also provides coordination between regional groups and Washington, D.C. agencies. The Chairman and other Commission members represent the Commission at events and observances throughout the nation on a regular basis. All groups receive encouragement and assistance.

from the U.S. Commission regarding local projects.

10. (a) It has not been common practice for the Commission to exclude non-members from its meetings. The meeting of September 12, 1990 was the first to be listed as "closed."

(b) and (c) The meeting of September 12, 1990 was closed to the general public to allow the Commission to catch up with its growing log of work to be done. In all past meetings, plenary sessions had been held on at least two consecutive days with time made available to groups and agencies with an interest in the Quincentenary to make presentations to the Commission regarding local projects. Commissioners recognized that, as 1992 comes closer, the number of matters to be considered during meetings grows rapidly as does the desire of the general but interested public to have contact with the Commission. As a result of this growing concern, the Chairman, the Executive Committee and members of the Commission chose to make September 12, 1990 a "strictly business" meeting.

It is the plan of the Commission to schedule future meetings as one-day plenary sessions with tightly-regulated agendas. The general public and those with interest in Commission proceedings will not be excluded from attendance by the Commission.

FEB 1 4 1989

Comptroller General of the United States

Washington, D.C. 20548

27 FEB 1989

B-211149

February 9, 1989

The Honorable Constance A. Morella
House of Representatives

Dear Ms. Morella:

By letter dated October 14, 1988, you asked whether the Christopher Columbus Quincentena y Jubilee Commission (Commission) must comply with the Federal Property and Administrative Services Act of 1949 (FPASA) or the Federal Acquisition Regulations (FAR) when contracting with donated funds. You also asked whether the Commission may deposit donated funds in non-Treasury, interest bearing accounts.

For the reasons stated below, we conclude that the Commission is not required to comply with the FPASA and the FAR for contracts financed from private donations. We further conclude that donated funds may be deposited in non-Treasury interest bearing accounts.

We received similar requests from Representatives Dante B. Fascell and Robert Garcia and are providing identical responses to them.

BACKGROUND

The Christopher Columbus Quincentenary Jubilee Act, Pub. L. No. 98-375, 98 Stat. 1257 (1984) (act) established the Christopher Columbus Quincentenary Jubilee Commission "to plan, encourage, coordinate, and conduct the commemoration of the voyages of discovery of Christopher Columbus."1/ Section 8(b)(3) of the act authorizes the Commission, under such rules and regulations as it adopts, to procure supplies, services, and property, make contracts, and expend the funds it receives in furtherance of the act.

1/ The act was amended by Pub. L. No. 100-94, 101 Stat. 700 (1987). The 1987 amendments added nonvoting participants to the Commission, increased the maximum donations allowed, and authorized the Commission to pay certain expenses, among other things.

To provide for the Commission's expenses, the act authorized to be appropriated $220,000 for each of the fiscal years beginning after September 30, 1983 and ending before October 1, 1992, and $20,000 for the period between October 1 and November 15, 1992. Total appropriations authorized for the purposes of the act were not to exceed $2,000,000.2/

To help fulfill its statutory purpose, section 7 of the act authorizes the Commission to accept donations of money, property, or personal services. The aggregate amount of donations the Commission may accept annually may not exceed $250,000 from an individual or $1,000,000 from a foreign government, corporation, or partnership.3/

DISCUSSION

As a general rule, when a Federal entity expends both appropriated and donated funds to accomplish a statutory purpose, the expenditures from both sources are viewed as appropriated fund expenditures subject to all statutes and regulations governing such expenditures. However, in a letter to the Honorable Sidney R. Yates, B-211149, December 12, 1985, we recognized that this rule is not without exceptions. In that letter, we concluded that the Holocaust Memorial Council (Council) need not comply with certain statutes and regulations generally applicable to the expenditure of appropriated funds by Federal agencies.

Our conclusion in the case of the Council was based on two reasons equally applicable to the Commission. First, we noted that statutes, such as 31 U.S.C. § 3302(b), which require government officials to deposit funds in the Treasury, are intended to prevent the augmentation of direct appropriations with funds from outside sources resulting in a level of operation beyond that authorized by Congress.

2/ Congress appropriated $220,00 for fiscal years 1984 and 1987 and $212,000 for fiscal years 1988 and 1989 for the Commission. The amounts appropriated remain available until November 15, 1992. No funds were appropriated for fiscal years 1985 and 1986.

3/ In recognition of the substantial expense of fund-raising activities and the limited contribution to this effort provided by appropriated funds, these amounts were enacted by Public Law 100-94 as an increase to the allowable amount of donations initially enacted by Public Law 98-375. H.R. Rep. No. 254, 100th Cong., 1st Sess. 4 (1987).

Since the Holocaust Memorial Council is an entity which carries out major, continuing functions using only donated funds, the concern with augmentation of appropriations that underlie statutes such as 31 U.S.C. § 1102(b) were not for application to an entity such as the Council. Second, we felt that the legislative history of the Holocaust Act supported the conclusion that Congress intended to allow the Council to expend donated funds subject only to the directives of its governing board, free of the strictures generally applicable to Government funds. Accordingly, we concluded:

(1) The Council is free to invest the donated funds in interest-bearing securities to the extent not needed for immediate payments for construction of the museum and related costs.

(2) Federal procurement requirements such as those found in the Federal Property and Administrative Services Act of 1949, and its implementing regulations, the Federal Acquisition Regulation, as well as other procurement-related statutes do not apply to any Council procurements involving the expenditure of its donated funds.

We believe these conclusions apply equally to the Commission. First, the Commission carries out its statutory purposes largely through the use of donated funds. Both the report of the House Committee on Post Office and Civil Service and the report of the Senate Committee on the Judiciary which considered the bills establishing the Commission state: "This bill is a modest proposal which provides for limited Federal funding. The Commission will have to look to private and corporate donations for the bulk of its funding if it is to operate successfully and fulfill its duties and obligations under the bill." H.R. Rep. No. 150, 98th Cong., 1st Sess. 3 (1983); S. Rep. No. 194, 98th Cong., 1st Sess. 5 (1983). In fact, Congress later realized that the statutory limits on the amount of donations the Commission could receive precluded the raising of sufficient funds and subsequently raised the limits on the amount of donations the Commission could accept. Pub. L. No. 100-94, 101 Stat. 700 (1987); H.R. Rep. No. 254, 100th Cong., 1st Sess. 4 (1987). In light of Congress' clear intent that the Commission's activities be financed primarily from sources other than Federal funds, and for the reasons discussed above in connection with the Holocaust Memorial Council, we conclude that the Commission may invest donated funds in non-Treasury, interest-bearing accounts.

Second, section 8(b)(3) of the act states: "Subject to such rules and regulations as may be adopted by the Commission, the Commission may -- . . . procure supplies, services, and property; make contracts; expend in furtherance of this act funds appropriated, donated, or received in pursuance of contracts hereunder . . . ." There is nothing in the act or its legislative history indicating that Congress intended the Commission's authority to issue procurement rules and regulations to be constrained by the requirements in the FPASA or the FAR. Like the Holocaust Memorial Council, we think that the Congress intended the Commission to expend donated funds free of the strictures generally applicable to government funds. There is little reason to believe that Congress, in creating a Commission which relies primarily on private sector donations and has a limited life to fulfill a limited purpose, intended that the Commission be required to comply with the formal procurement procedures contained in federal law, or be prohibited from obtaining goods and services by taking advantage of informal relationships developed as part of the private sector's participation in the Commission's activities. Accordingly, we conclude that the Commission is not required to comply with FPASA or the FAR when contracting with donated funds. As with the Holocaust Memorial Council, however, we recommend that the Commission use the body of Federal procurement law and regulations as models in developing its own internal procurement policies.

Unless you publicly announce its contents earlier, we plan no further distribution until 30 days from the date of this opinion. At that time, we will make copies available to others on request.

Sincerely yours,

Milton J. Socolar

Acting Comptroller General
United States

AGREEMENT

This Agreement is made this 10 day of Oct 1990, by and between MWM, Inc., 505 Capitol Court, N.E., Suite 100, Washington, D.C. 20002 (HEREINAFTER REFERRED TO AS THE "AGENT") and the Christopher Columbus Quincentenary Jubilee Commission, 1801 F Street Northwest, Washington, D.C. 20006 (HEREINAFTER REFERRED TO AS THE "CLIENT").

WHEREAS, Client is a non-profit organization that is entitled to engage in fundraising activities;

WHEREAS, Agent has experience in direct response fundraising; and

WHEREAS, Client is desirous of retaining the services of Agent to perform such fundraising.

Therefore, in consideration of the foregoing and of the mutual covenants, terms and conditions of this Agreement, it is agreed as follows:

1. <u>Appointment and Authorization of Agent</u>. Agent is hereby authorized to represent Client to carry out its Direct Response Programs. For purposes of this Agreement, "Direct Response Programs" shall mean fundraising and public education programs utilizing the direct solicitation or contacting of the public (by mail, telephone, brochures, electronic mail or otherwise) which is intended to elicit a direct response or contribution of funds for or on behalf of the Client or any other designee. Direct response programs shall <u>not</u> include the solicitation or contacting in any manner of any corporate entity, unless such solicitation or contacting is specifically authorized in writing by the Commission. Client agrees that its appointment of Agent shall be an exclusive appointment, that is, during the term of this Agreement, Client shall not authorize, license, or appoint any person or entity other than Agent to conduct Direct Response Programs on behalf of Client or using the name or Marks of Client.

2. <u>Agent Activities</u>. For mailings produced for the Client, Agent shall act as the Client's exclusive Agent and may perform, upon authorization hereby granted, any or all of the following services to the extent necessary to meet the Client's needs, which needs shall be determined by mutual agreement of the parties:

A. Plan, create, write and prepare layouts and actual copy to be used in Direct Response Programs. Client shall have the right to approve all such layouts and actual copy, which approval shall not ureasonably be withheld.

B. **Coordinate and develop Direct Response Programs.**

C. **At Client's request, Agent will prepare line item budgets for each Direct Response Program, which are subject to Client's reasonable approval prior to implementation of the program. Agent may, in conformity with any such budget, negotiate, arrange and enter into agreements on behalf of the Client for any special material and talent required and for all photography, models, special effects, layouts, art work, printing, and any necessary technical material for use in the Direct Response Program. Agent shall have the sole right to select all vendors from which services and/or materials shall be obtained, provided that Agent shall take all reasonable steps to assure that the vendor's services and/or materials are of competitive quality.** Agent recognizes, however, that Client has certain agreements with other parties which pre-date the execution of this Agreement with Agent, and will do everything in its power to work with those parties to ensure Client's compliance with said preexisting agreements. Agent specifically agrees to work with CCLG, Client's official licensing agent, and with BGW, Inc., who is producing a coin for the Commission, on the development of premium items that are within the scope of their agreements with the Commission. It is understood and agreed that Agent shall be billed directly by the vendors for all such services and/or materials.

D. Among other programs, Agent shall seek to enroll members in Client. Upon payment of the membership fee, a Member shall receive a fulfillment package containing a membership card, a commemorative coin and the newsletter "Discovery" and such other materials as Client and Agent shall agree. Agent shall be responsible for providing fulfillment items and for mailing the package at Agent's expense ("Agent's fulfillment Costs"). Client shall provide Agent with such materials as the parties agree to provide at Client's expense.

3. <u>Routing and Distribution of Returns</u>.

A. All returns, including, without limitation, all membership revenues, contributions of funds, and Housefile Income (as defined below), generated by any of the Direct Response Programs conducted pursuant to this Agreement shall be directed to Agent's cager of choice ("Cager"). Cager shall tabulate all returns and deposit all funds received by Cager in an escrow account to be established and maintained in Agent's name at Agent's bank of choice. Checks and drafts shall be drawn on this Account solely to effect the purposes of this Agreement, and shall be subject to approval by the client.

B. It is understood and agreed that any funds advanced by the Agency or others for postage or other approved expenditures shall be immediately reimbursed before any returns are disbursed to the Client and/or other parties, including vendors.

C. For purposes of this Agreement, "Housefile Income" shall mean all funds paid to Client in the form of membership renewal payments, contributions or otherwise, by any person, organization or entity that previously paid or contributed any funds to Client via a direct marketing appeal created and produced by the Agent on behalf of the Client, subsequent to the date of this Agreement.

D. It is understood that the determination of distribution of fees and rate of payment for Agent shall be mutually agreed to by the parties at a date subsequent to the completion of the first test mailing, and after start-up expenses borne by Agent have been recouped. Such agreement as to fees shall be agreed to in writing within 30 days after the completion and evaluation of the first test mailing.

4. Creation/Administration of Data Base.

Agent will, directly or through independent contractors of its choosing, establish and administer a data base containing the file of members in and contributors to Client (the "Database"). It is understood and agreed that, for the first three months of the program, file maintenance costs will be paid out of the proceeds of housefile and prospect mailings. At the end of three months, Client and Agent shall meet to assess whether Client shall assume responsibility for file maintenance charges, as an administrative expense. At such time as Client agrees in writing to assume responsibility for file maintenance charges, Agent will submit bills for these charges to Client, on a monthly basis.

5. Vendors.

Client shall have no liability for payment to Agent's vendors. In no event shall Agent be responsible for any liability, fee, costs or expense arising under or resulting from any agreement entered into by Client unless Agent specifically agrees in writing to assume such responsibility.

6. **Pre-Termination List Rental.**

A. In the event Agent experiences "Net Losses" (as defined below) in performing the services contemplated by this Agreement, and subject to the terms and conditions set forth in subparagraphs B and C of this Paragraph, Agent shall have the right, which Agent may exercise through its affiliated company, Pinnacle List Company, or such other person or entity as Agent shall reasonably select, to rent to any person, entity or organization the use of those names and addresses that Agent has generated in the course of conducting any Direct Response Programs under this Agreement.

B. For purposes of this Agreement,

(i) "Net Losses" shall mean the amount by which Agent's costs in conducting Direct Response Programs under this Agreement, such costs to be calculated on a quarterly basis within thirty (30) days after the close of each calendar year quarter, exceed the receipts paid to Agent pursuant to Paragraph 3 of this Agreement during said calendar year quarter; and

(ii) Agent's costs shall be conclusively presumed to be: $1950 per housefile package mailed for creative copy/design; $2250 per prospect package mailed for creative copy design; $.035 per piece mailed for production management; plus any other reasonable cost incurred by Agent specifically in the performance of this Agreement (including without limitation out-of-pocket travel and courier costs, and Agent's Fulfillment Costs), but excluding Agent's overhead costs.

C. In the event Agent experiences Net Losses, it shall so advise Client and provide Client with a statement of the costs incurred and compensation received during the immediately preceding calendar year quarter. It shall thereafter be entitled to exercise the rental right described in subparagraph A of this Paragraph until the accumulated income from such activities equals or exceeds all accumulated Net Losses.

7. **Confidentiality**. Both Agent and Client shall maintain in confidence all information related to the costs of implementing the Direct Response Programs conducted pursuant to this Agreement, the revenues generated for Client by those programs, and the compensation received by Agent for its services under this Agreement. It is agreed, however, that all such information can be provided by either Agent or Client (the "Disclosing Party") to

governmental agencies upon receipt of a lawful, formal request from such disclosure. The Disclosing Party shall immediately notify and provide the other party a copy of any such formal request along with copies of the information to be provided by the Disclosing Party.

8. **Term and Termination**.

A. This Agreement shall become effective upon execution and continue thereafter for a period of three years unless terminated as provided herein.

B. Either party may terminate this Agreement without cause forty-five (45) days following written notice to the other party. In recognition of the fact that Agent is advancing substantial funds on behalf of Client pursuant to this Agreement in the anticipation of future returns, Client agrees that should Client terminate this agreement without cause: and if said termination shall occur within the first twelve months of this Agreement, Client shall pay to Agent the sum of the amount by which Agent's aggregate costs in performing this Agreement (ii) exceed the aggregate receipts paid to Agent during the term of this Agreement pursuant to Paragraph 5 of this Agreement.

C. Upon receipt of notice of termination, the Agent shall not commence any new Programs, but it shall complete all mailings and place all lists and advertisements previously approved. All other rights and duties of the parties shall continue concerning any contracts, agreements, or mailings previously approved by Client. In the event the Client desires to terminate all work in progress on any mailings approved and commenced before the Agent's receipt of notice of termination, it may do so only upon the parties' mutual consent and the determination of compensations to be received by the Agent for partially completed work.

D. Agent shall not enter into any new contract(s) on Client's behalf after receipt of a notice of termination, provided however that Agent shall have the right to enter into contracts which are necessary and incidental to the performance of contracts approved prior to receipt of notice of termination.

E. This Paragraph 8 shall survive the termination of the Agreement.

9. **Agent's Post-Termination Compensation**.

In the event this Agreement is terminated or expires, and a direct mail package developed by Agent in part or in whole before such termination or expiration is used thereafter by Client (or any other party acting on behalf of Client) for any purpose whatsoever, Client agrees to direct all returns generated by such direct mail package to Cager and to pay Agent compensation calculated in accordance with paragraph 3 of this Agreement with respect to such returns. This Paragraph shall survive the termination or expiration of this Agreement.

10. <u>Disposition of Property and Materials</u>.

A. Upon termination of this Agreement, all property and material produced and used under this Agreement shall be considered the property of the Client. All shipping and transportation costs associated with moving said property from the Agent or a third party to the Client shall be borne by the Client. These provisions shall apply whether the items in questions are in the possession of the Agent or third parties.

B. The Client agrees that the Agent shall have joint ownership in any list(s) (the "Lists") of contributors and non-contributors compiled for the Client during the term of this Agreement, including, without limitation, the Database. Client hereby assigns a joint interest in the Lists (and any rights therein) to Agent. During the term of this Agreement, the Agent may not rent, sell or exchange any such list other than upon Client's specific authorization or as provided for in Paragraph 6. Upon termination, Agent may rent, sell, exchange or barter the List(s) without limitation, except that the List(s) shall not be marketed, advertised or promoted as the Christopher Columbus Quincentenary Jubilee Commission list. Client hereby appoints Agent its exclusive marketing agent of the List(s) (through such subagents or brokers as Agent may select) for the period commencing on the date this Agreement is terminated and terminating three years after termination of this Agreement.

C. This Paragraph 10 shall survive the termination or expiration of this Agreement.

11. <u>Registration</u>. Client and the Agent shall be severally and not jointly responsible for their own registration, reporting and related obligations, arising out of any solicitation conducted by the Client pursuant to this Agreement, that are imposed by applicable Federal, State and/or local law. The Client and the Agent shall keep the other apprised of the jurisdictions in which each of them register and/or make periodic reportings pursuant to a charitable solicitation law.

12. <u>Assignment and Delegation</u>. Neither party may assign any rights or delegate any duties hereunder without the express prior written consent of the other.

13. <u>Claims</u>. Each party (the Indemnifying Party) agrees to

indemnify and hold harmless the other party from any and all claims of third parties, of any nature whatsoever arising out of this contract, resulting from or arising out of (a) any breach of the Indemnifying Party's obligations under this Agreement, (b) any action or conduct by the Indemnifying Party outside the scope of authority of such Indemnifying Party, and (c) any negligent or intentional act or omission of any employee, agent or representative of the Indemnifying Party. Client shall be solely responsible for all representations made in copy prepared for Client by Agent provided Client has been given a written copy of the representation and approved its contents, and Client shall hold Agent harmless from claims arising out of such approved copy.

14. Controlling Law. The validity, interpretation, and performance of this Agreement shall be controlled by and construed under the laws of the District of Columbia applicable to contracts made and to be performed therein.

15. **Waiver**. The failure of either party to this Agreement to object or to take affirmative action with respect to any conduct by the other which is in violation of the terms of this Agreement shall not be construed as a waiver of any future breach or subsequent wrongful conduct.

16. **Notices**. All notices required or contemplated by or pertaining to this Agreement shall be in writing and shall be transmitted either by personal hand delivery, overnight courier or by certified mail, return receipt requested, through the facilities of the U.S. Postal Service. The addresses set forth above for the respective parties shall be the places where notices shall be sent, unless written notice of a change of address is given. Notices given under this contract are effective when received, and a signed returned receipt of the U.S. Postal Service shall be conclusive proof of such receipt.

17. **Modification**. This writing contains the entire Agreement of the parties. No presentations were made or relied upon by either party, other than those that are expressly set forth. No agent, employee, or other representative of either party is empowered to alter any of the terms hereof, unless done in writing and signed by an executive officer of the respective parties.

18. Additional Terms.

A. Any party to this contract shall have the right to institute legal proceeding to settle any claim or controversy arising out of this contract. All parties agree that such proceedings may be brought before a court of competent jurisdiction in the District of Columbia, and that such Court shall have jurisdiction over the parties.

B. The Client and the Agent agree that should either use the service of an attorney in enforcing any provision of this contract, that the prevailing party shall be entitled to recover the attorney's fees and costs so incurred.

C. The Client agrees not to solicit, in any manner, any employee of the Agent during the pendency of the contract.

ATTEST:

MWM, INC.

By: Meg Walker (Date)
Meg Walker
President

ATTEST:

CHRISTOPHER COLUMBUS QUINCENTENARY JUBILEE COMMISSION

By: John Goudie 10/12/91 (Date)
John Goudie
Chairman

LICENSE AGREEMENT

THIS AGREEMENT, made as of the 17 day of July, 1989, by and between the **LICENSOR,** Christopher Columbus Quincentenary Jubilee Commission, a Federal Commission established by the United States Government in 1984 to be the official group organizing, coordinating and directing the United States Quincentenary Celebration in 1992, and located at 1801 F Street Northwest, Washington, D.C. 20006. and the **LICENSEE,** The Christopher Columbus Licensing Group, Inc., a corporation organized under the laws of the State of New York and residing at 344 East 63rd Street, New York, New York 10021.

WITNESSETH:

WHEREAS, The Licensor is the owner of all right, including copyright, to the Trademarks, Tradenames and Logotypes of the Christopher Columbus Quincentenary Jubilee Commission and/or has the power and authority to grant the rights granted hereunder and;

WHEREAS, the Licensee desires to utilize the Trademarks, Tradenames and Logotypes of the Christopher Columbus Quincentenary Commission (hereafter referred to, whether separately or collectively, as the **PROPERTY)** in connection with exclusive manufacturing, contracting, marketing, sale and distribution of those articles hereinafter described;

NOW, THEREFORE, in consideration of the mutual promises herein set forth, Licensor and Licensee do hereby respectfully grant, covenant and agree as follow:

A. GRANT OF LICENSE.

1. **ARTICLES:** Licensor hereby grants to Licensee upon the terms and conditions hereinafter set forth the exclusive right to license, sub-license or otherwise utilize the Property solely upon or in association with the Articles group below and described in Schedule "A" of the Annex:

a. Drinkware and service items

b. Auto signage, flags and pennants

c. Pins and Keyholders

d. Bags

e. Wearing apparel and headgear

f. Writing instruments

g. Timing devices

h. Dolls, sculptures, figurines, model and toys and novelty items of every sort.

2. CORPORATE SPONSORS. Licensor hereby also grants to Licensee, upon the terms and conditions hereinafter set forth, the non-exclusive right to license or sub-license the Property to persons, corporations, associations, state and municipal governments and departments and agencies thereof and any other entity to be utilized in connection with products and services and promotions and events of every kind and nature, labeling, packaging and displays, organizations, dealer sales, industry and public meetings, conventions and sales clinics and meetings, print,

point of sale and mail-order advertising, publicity, radio and television programs and commercials. Licensee agrees, however, that it will actively coordinate with Licensor, and receive approval in writing from Licensor prior to contacting any such persons, corporations, associations, governmental departments or agencies, so as not to impinge upon or hamper Licensor's own corporate sponsorship development program.

3. **PAYMENT**

a. ROYALTY RATE During the term of the Agreement, Licensee shall pay to Licensor as royalty a sum equal five (5%) percent of all gross sales by Licensee or any of its affiliates, associates, or subsidiary companies of the articles covered by this Agreement. The term "gross sales" shall be define as all sales less return items and trade quantity discounts. ~~Five (5%)~~ percent of all royalties, fees and advances and other fees or monies paid to the Licensee pursuant to all Sub-License Agreements entered into by or on behalf of the Commission during the term of the Agreement and all renewals, extensions of such Sub-License Agreements or any other applicable Agreements. 5%

b. TERMS OF PAYMENT

Licensee agrees to pay as a minimum guarantee against royalties to be paid Licensor during the initial term hereof and as advance payment applicable to said minimum guarantee the sum of THREE HUNDRED THOUSAND ($300,000.00) DOLLARS. Advance royalty payment is to be paid as follows:

i. ONE HUNDRED THOUSAND ($100,000.00) DOLLARS by July 31, 1989.

ii. ONE HUNDRED THOUSAND ($100,000.00) DOLLARS by October 30,1989.

iii. ONE HUNDRED THOUSAND ($100,000.00) DOLLARS by January 31,1990.

No part of such minimum royalties shall in any event be repayable to Licensee.

c. Payments above the minimum guarantee due to Licensor shall commence on the 15th day following the initial six month period under this Agreement and shall thereafter continue to be made on the 15th day of each six month period during the entire term of this Agreement. Such payments shall be accompanied by a statement certified by the Licensee showing the calculation of the amount of the payment then being made. It is essential that any and all payments required under this License actually be received by Licensor no later than the due date. It is understood, however, that overnight mail service will satisfy this request.

4. **TERRITORY**

The Territory of the License hereby granted extends to any and all areas of the United States, its Territories and any of the Countries participating directly or indirectly in the Celebration.

5. **TERM**

This Agreement shall remain and continue in full force and effect for a period of five (5) years from the date first above written, unless sooner terminated in accordance with the provisions hereof.

B. EXCLUSIVITY

Licensor agrees that, except as provided herein, it will grant no other licenses for the Territory and for the Property for which this License extends effective during the time of this License.

C. GOOD WILL, ETC.

Licensee stipulates the great value of the good will associated with the Property and acknowledges that the Property and all rights therein and good will pertaining thereto belong exclusively to Licensor.

D. LICENSOR'S TITLE AND PROTECTION OF LICENSOR'S RIGHTS.

1. Licensee acknowledges the ownership or control of Licensor in the copyright, trademarks, tradenames and logotypes which underlie this License and Licensee agrees that it will not

during the term of this License attack the Licensor's right of ownership and/or control. Licensor represents and warrants that it holds all such rights and interests in the Property as are required to enter into this License and warrants expressly that the rights granted herein to the Licensee to use the Property do no infringe those of any other person or entity.

2. Each party agrees to provide the other with thirty (30) days notice to correct any alleged breach by the other and each party further agrees that it will not commence any action against the other without giving the other thirty (30) days prior notice of such suit.

E. QUALITY OF MERCHANDISE

1. Licensee agrees that the Articles covered by this License shall be of high standard and of such quality, style and appearance as to be adequately suited to take advantage and to the protection and enhancement of the Property and the good will pertaining thereto. Licensee also agrees that each Article shall be approved by Licensor in writing on paper or actual pre-production sample prior to its distribution. Any item submitted to Licensor for approval shall not be deemed approved unless and until the same is approved in writing. Once approved, Licensee shall not depart therefrom in any material respect without Licensor's prior approval. From time to time after Licensee has commenced selling

the Articles and upon Licensor's written request, Licensee shall furnish to Licensor at cost no more than thirty six (36) additional random samples of each item requested. Cost of these random samples shall be deducted from the corresponding period royalty payment statement.

2. It is understood that Licensor shall have the right to take samples at random from production runs twice a year by that, if quality problems are encounter as a result of the examination of samples, Licensor shall have the right to take such sample more frequently than that in an effort to assure proper quality control has been established.

F. INDEMNIFICATION BY LICENSEE AND PRODUCT LIABILITY INSURANCE.

Licensee hereby indemnifies Licensor and undertakes to defend Licensee and/or Licensor against and hold Licensor harmless from any claims, suits, loss and damage arising out of any unauthorized use of any patent, design, mark, process, idea, method or device by Licensee (none of the same being included in Property) in connection with the Articles covered by this License and also from any claims arising out of alleged defects in the Articles, any alleged inadequacy or failure to perform, or personal injury resulting from use of the licensed Articles. Licensee agrees that it will obtain, at its own expense, product liability insurance providing adequate protection for Licensor as well as Licensee against any claims,suits, loss or damage arising out of any alleged defects in Articles. Licensee agrees to provide Licensor a copy of such Certificate of Insurance naming Licensor as an insured party prior to the actual distribution and sale of any Articles.

G. RECORDS

Licensee agrees to keep accurate books of account and records in a form meeting the generally accepted standards of the CPA profession covering all transactions relating to the License hereby granted, and Licensor and its dully authorized representatives shall have the right at reasonable hours of the day to examine said books of account and records and related supporting documentation. Licensee agrees to keep these records after termination of this License for a period of no less than one year, during which period Licensor shall retain the right to examine or cause to be examined such records.

H. DISTRIBUTION

1. Licensee agrees that during the term of this License it will diligently and continuously manufacture, sell, distribute and promote Articles covered by this License and that it will make and maintain adequate arrangement for the distribution of Articles.

2. Licensee agrees that it will sell and distribute the Articles covered by this License outright at a competitive price and at no more than the price generally and customarily charged in the trade and only to jobbers, wholesalers, and distributors for sale and distribution to retail stores and merchants, and to retail stores and merchants for sale and distribution direct to the public. Licensee will also sell and distribute the Article through any and all other channels of trade and or modes of distribution and delivery including but not limited to all special markets including Premium, Military, Direct Mail, Electronic Shopping, Catalogues, and Vending Machines. Licensor shall assist Licensee in the selling and distribution of Articles for the express use for publicity or promotional tie-in purposes, combination sales, premiums,giveaways or similar methods of merchandising to any and all other licensees, sponsors, patrons and participants of the Quicentenial Celebration. Special assistance will be provided by the Licensor where possible, to the Licensee in promoting the use of Articles at, in and together with the exhibition halls planned for (Knoxville, Tennessee, the Columbus Space Sail Cup) and the Tour of the Caravels and Regattas. A list of exhibitors, shops, principals and key personnel associated with and involved in the effort being put forth at Knoxville and any other joint participation of the Licensor with a State, Country, Corporation or Group where the Articles could or would be used, distributed or sold, would be made available by Licensor to Licensee. It is understood by Licensee that at the time of the execution of this

document final approval of the Knoxville and Space Sail Cup projects is still pending. Should for whatever reason, final approval of these projects, not be forth coming the Licensor would be under no obligation to promote and assist with the use of Articles in connection with these projects.

3. Licensee agrees to sell Licensor such quantities of the Articles as Licensor shall request at as low a rate and on as good a term a Licensee sells these Articles to the general trade. Licensor agrees to use, whenever possible and applicable, the Articles covered by this License for its own promotions. Licensor further agrees to refrain from buying Articles included in this License from anyone but the Licensee provided the conditions of sale, delivery, and other requirements can be met by the Licensee.

G. TECHNICAL AND PROMOTIONAL MATERIAL

1. Licensor agrees to provide Licensee, at no cost to Licensee, all technical material in connection with its use of the property. Any authorized use or application of property by Licensee to produce design variations suitable for the reproduction on Articles will be borne by Licensee. Licensor shall be entitled to use any design variations or applications of property created by Licensee provide such use does not conflict or compete with or impair or diminish Licensee's use thereof. Licensee is entitled to the use of any design variations or application suitable for the reproduction of property in Articles which have been created by or

under the approval of Licensor as long as its use does not interfere, impair or diminish the rights of Licensor or any of its endorsed projects. Any such design variations or applications of property created by Licensee shall require full approval of Licensor in writing. The term "technical materials" as used herein shall mean all artwork and designs, pictures, dyes, mold, separations, creation, production and/or reproduction of Articles identified with the Property.

2. Licensor shall have the right, but shall not be obligated, to use the Property and/or name of Licensee so as to give the Property, Licensee and Licensor full and favorable prominence and publicity.

J. FINAL STATEMENT UPON TERMINATION OR EXPIRATION

Ninety (90) days before the expiration of this License and, in the event of its termination, forty-five (45) days after receipt of notice of termination or the happening of an event which terminated this License where no notice is required, a statement showing the number and description of Articles covered by this License on hand or in process shall be furnished by Licensee to Licensor. Licensor shall have the right to physically verify such inventory and statement. Refusal of Licensee to submit to such physical inventory by Licensor shall forfeit Licensee's right to dispose of such inventory.

K. DEFAULT AND TERMINATION

1. If a petition in bankruptcy is filed by or against Licensee, or if Licensee becomes insolvent, or makes an assignment for the benefit of it's creditor or an arrangement pursuant to any bankruptcy law, or if License discontinues its business, to the fullest extent permitted by law at the time of the occurrence, the License granted herein shall automatically be terminated.

2. If Licensee shall fail to pay when due any and all payments required under this License or fails to perform any of its other obligations under the terms of this License or breaches any covenants contained in this License, Licensor shall have the right to terminate this License upon thirty (30) days notice in writing, except that with regard to breaches relating to Property notification, royalty payment, royalty statements, the notification period shall be ten (10) days.

3. Licensee shall have the right to terminate this License Agreement by giving Licensor written notice with no less than ninety (90) days in advance. Licensee in such an event, will assist Licensor in screening, searching and securing a new Licensee if this assistance is requested by the Licensor.

L. EFFECT OF TERMINATION OR EXPIRATION.

upon and after the expiration or termination of this License, all the rights grante to Licensee hereunder shall forthwith revert to Licensor, who shall be free to license others to use the Property in connection with any of the Articles covered hereby. Licensor is free to negotiate, at any time during the term hereof, with any other prospective licensee on the use of the Property on the Articles within the Territory without violating any of the rights of the Licensee, provided the Licensor fully notifies the Licensee of the reasons and circumstances prompting that negotiation and provided that it is contemplated that such prospective license shall commence after termination or expiration of this License.

M. DISPOSAL OF STOCK

1. After termination or expiration of the License under provision hereof, Licensee, except as provided otherwise herein, may dispose of Articles covered by this License which are on hand or in process at the time, for a period of thirty (30) days thereafter, on a non-exclusive basis, provided royalty payments are up-to-date and statements are furnished for the current period. All applicable royalties shall be paid on Articles sold during the sell off period within thirty (30) days of the expiration of said sell off period.

2. In the event changes, modifications cancellation or elimination of any of the Property already reproduced or in process of being reproduced on Articles cover by this License which are

unsold at the time of the change, modification, cancellation or elimination, Licensor will be responsible for any Articles which cannot be sold, distributed or used because of it. Licensee will attempt to dispose of such affected Articles for a period of ninety (90) days, after that sell off period any inventory still on hand will be the property of the Licensor and its reasonable cost/selling price will be deducted from subsequent royalty payments by the Licensee.

N. NOTICES

All notices shall be given or made at the respective addresses of the parties as set forth above unless notification of a change of address is given in writing, and the date of the mailing shall be deemed the date of the notice or statement given. All statements of royalties and payment hereunder shall be made to the name and address indicated for Licensor on page one (1) of this License.

O. LICENSOR'S REMEDIES

1. Licensee acknowledges that its failure to commence in good faith to manufacture and distribute in substantial quantities any one or more of the Articles and to pursue in good faith and to the best of its ability Subcontract Licensing agreements for items which are in the opinion of Commission Chairman, logical and