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NEWS RELEASE

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FOR RELEASE _____ October 26, 2010 1:00 pm _____ 515/281-5834

Auditor of State David A. Vaudt today released a report on a special investigation of the Iowa Department of Economic Development Film Office and the Film, Television and Video Production Promotion Program (Program) for the period May 17, 2007 through September 21, 2009. The Governor suspended the program on September 18, 2009 as a result of concerns identified when Department personnel determined the cost of certain vehicles purchased by production companies and transported to California for personal use had been included in the total expenditures reported by the production companies and were used by Department staff to determine the amount of tax credit certificates to issue.

The Governor requested an investigation by the Office of Auditor of State, the Attorney General's Office and the Department of Revenue. The Attorney General's Office reviewed film projects for which an application had been approved but a contract had not yet been completed. The Department of Revenue reviewed new requests for tax credit certificates for film projects which had contract and had completed production. The 22 film projects for which tax credit certificates had been issued were reviewed by the Office of Auditor of State.

Vaudt reported the special investigation identified \$25,576,300.50 of tax credit certificates which were improperly issued for the 22 projects. Of this amount, expenditure tax credit certificates totaled \$15,155,399.06 and investment tax credit certificates totaled \$10,420,901.44.

Vaudt reported detailed records were requested from the production companies for 14 projects, each of which received over \$500,000.00 of tax credit certificates. The records provided were reviewed to determine if the expenditures reported and used to calculate the tax

credits qualified for expenditure tax credits and to determine if the investment tax credit certificates issued were properly supported and correctly calculated. For the remaining 8 projects, the production companies' records already available at the Department were reviewed to determine if the expenditures reported qualified for expenditure tax credits and if the investment tax credits were calculated in accordance with the Code of Iowa.

The following table compares the expenditure and investment tax credit certificates issued by the Department for the 22 projects to the amounts which should have been issued based on the records provided for review and the Program's requirements.

Type of Tax Credit	Actual Tax Credit Certificates Issued	Allowable Tax Credits	Excess Tax Credit Certificates Issued
Expenditure	\$ 19,583,046.85	4,427,647.79	15,155,399.06
Investment	12,384,594.23	1,963,692.79	10,420,901.44
Total	\$ 31,967,641.08	6,391,340.58	25,576,300.50

The *Code of Iowa* and the Department's administrative rules state a qualified expenditure is "a payment to an Iowa resident or Iowa based business for the sale, rental, or furnishing of tangible personal property or for services directly related to the registered project." To calculate the expenditure tax credit, Mr. Wheeler multiplied the total expenditures reported by the production companies by 25%. Because Mr. Wheeler did not verify expenditures or ensure the expenditures claimed by the production companies met the requirements of the *Code of Iowa*, excess tax credit certificates were issued for unqualified expenditures. Vaudt reported the unqualified expenditures identified included deferred payments, in-kind expenditures, expenditures for which no proof of payment was provided, expenditures which did not directly relate to production, payments to out-of-state vendors/residents and expenditures which were paid but were not supported by documentation.

Vaudt also reported the excess investment tax credit certificates were issued because Mr. Wheeler did not calculate the investment tax credits in accordance with the requirements established by the *Code of Iowa*. The *Code of Iowa* states, in part, the "tax credit shall equal twenty-five percent of the investment in the project, except that the tax credit shall not exceed twenty-five percent of the qualified expenditures on the project." In addition, the *Code of Iowa*

states, in part, “a taxpayer shall not claim a tax credit...for qualified expenditures for which a tax credit is claimed...” Mr. Wheeler did not to reduce the amount claimed for an investment tax credit by the qualified expenditures included in the expenditure tax credit. In addition, Mr. Wheeler did not ensure the investment tax credit did not exceed the project’s total expenditure credit. Instead, Mr. Wheeler calculated the investment tax credit by multiplying the total expenditures by 25%.

While the Program was suspended on September 18, 2009 and the Governor has indicated the Program will not be reinstated, the report includes recommendations appropriate for all tax credit programs administered by State agencies. Specifically, Vaudt recommended the Departments implement procedures to verify expenditures reported are qualified and calculated in accordance with requirements established by the *Code of Iowa*, the Iowa Administrative Code or other program requirements. Vaudt further recommended the Departments review their policies and procedures related to the programs, including the application, contracting, verification, calculating and issuance of the tax credit certificates, to ensure compliance with requirements established by the *Code of Iowa*.

Vaudt also recommended improvements specific to the Program and items for the General Assembly to consider in the event this Program is reinstated or another similar program is established. Vaudt recommended improving definitions of qualified and unqualified expenditures, defining an Iowa based business and resident, establishing specific documentation requirements and providing adequate funding for administration of the Program.

Copies of the report have been filed with the Governor’s Office, the Department of Economic Development, the Department of Revenue, the Division of Criminal Investigation, the Attorney General’s Office and the Polk County Attorney’s Office. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State’s web site at: <http://auditor.iowa.gov/specials/1060-2690-0E00.pdf> .

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**REPORT ON SPECIAL INVESTIGATION OF THE
FILM, TELEVISION AND VIDEO PROJECT PRODUCTION PROGRAM
ADMINISTERED BY THE DEPARTMENT OF ECONOMIC DEVELOPMENT**

**FOR THE PERIOD
MAY 14, 2007 THROUGH SEPTEMBER 21, 2009**

Table of Contents

	<u>Page</u>
Auditor of State's Report	5-6
Investigative Summary:	
Background Information	7-16
Detailed Findings:	
Department Procedures	17-22
<i>Changing Horses/ Saddle Up</i>	23-30
<i>Splatter</i>	31-34
<i>The Offering</i>	35-38
<i>Ticket Out</i>	39-41
<i>Peacock</i>	41-44
<i>The Scientist</i>	44-48
<i>South Dakota</i>	48-51
<i>Twelve Thirty</i>	51-55
<i>Children of the Corn</i>	55-58
<i>Five Step Credit Program</i>	58-61
<i>Hawthorne Direct</i>	61-64
<i>16 to Life</i>	64-67
<i>Woodsmith Shop</i>	67-69
<i>Sugar</i>	69-72
<i>The Final Season</i>	72-75
<i>Madama Butterfly</i>	75-78
Recommended Control Procedures	79-84
Exhibits:	
Completed Projects with Tax Credit Certificate Amounts	A 86-87
Schedule of Unqualified Expenditures:	
<i>Changing Horses/ Saddle Up</i>	B 88-97
<i>Splatter</i>	C 98-119
<i>The Offering</i>	D 120-129
<i>Ticket Out</i>	E 130-133
<i>Peacock</i>	F 134-141
<i>The Scientist</i>	G 142-145
<i>South Dakota</i>	H 146-153
<i>Twelve Thirty</i>	I 154-165
<i>Children of the Corn</i>	J 166-187
<i>Five Step Credit Program</i>	K 188-207
<i>16 to Life</i>	L 208-209
<i>Woodsmith Shop</i>	M 210-211
<i>Sugar</i>	N 212-213
<i>The Final Season</i>	O 214-215
<i>Madama Butterfly</i>	P 216-217
Staff	218

Appendices:

Appendix

Film Project Status	1	220-224
E-mail – Expenditures Not Limited	2	225
Deal Memos – <i>The Offering</i> and <i>Splatter</i>	3	226-229
Notification of Fraud Letter	4	230-231
Letter Confirming In-Kind Expenditures	5	232-236
50% off! ½ Price Filmmaking!	6	237
Application	7	238-245
In-Kind Expenditures E-Mails for Changing Horses Productions	8	246-249
Verification of In-Kind Expenditures for Changing Horses Productions	9	251-253
Changing Horses Productions’ Project Funding	10	254-255
E-mail – Budget and Estimates	11	256-267
E-mail – Shell Company	12	268-269
Contract Signature	13	270-271
Deal Memo – Mississippi Films	14	272-273



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Auditor of State's Report

To the Governor, Member of the General Assembly
and the Director of the Department of Economic Development:

At the request of the Governor and the Department of Economic Development (Department), we have conducted a review of the Film, Television and Video Project Promotion Program (Program) administered by the Film Office within the Department. The request was made as a result of concerns regarding certain expenditures for which tax credit certificates were issued. Tax credit certificates were also issued for investments made in certain films, television and video projects. We have applied certain tests and procedures to those projects for which tax credit certificates were issued during the period May 14, 2007 through September 21, 2009. Based on discussions with Department officials and personnel and a review of relevant information, we performed the following procedures.

- (1) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Evaluated the Film Office's policies and procedures to determine their efficiency and effectiveness in administering the Program.
- (3) Interviewed Department staff and reviewed Department records to obtain an understanding of how the Program was administered and promoted to the entertainment industry.
- (4) Reviewed certain production companies' records to determine the allowability of the expenditures and investments claimed for tax credits. Some of the records had been submitted to the Film Office. We obtained other records directly from certain production companies. The records included invoices, detailed listings of expenditures, electronic spreadsheets, budget to actual reports and ledgers.
- (5) Calculated the amount of expenditure tax credit certificates which should have been issued based on the qualified expenditures identified using the available records.
- (6) Calculated the amount of investment tax credit certificates which should have been issued based on available records and guidance provided by the Attorney General's Office.
- (7) Reviewed e-mails between Film Office staff and representatives of various production companies to determine the guidance provided regarding the types of expenditures which qualified for the Program.
- (8) Reviewed e-mails between Tom Wheeler, Film Office Manager, and a representative of the Department of Revenue to determine what guidance, if any, was provided regarding the allowability of expenditures and shell companies.
- (9) Interviewed, in conjunction with representatives from the Division of Criminal Investigation, representatives from companies for which in-kind expenditures were claimed by a production company.

These procedures identified \$25,576,300.50 of tax credit certificates which were improperly issued by the Department. Of this amount, \$15,155,399.06 of expenditure tax credit certificates were improperly issued based on unqualified expenditures and \$10,420,901.44 of investment tax credit certificates were improperly issued because the correct basis for the investments was not used and the formula for calculating the investment tax credits was not applied correctly. Complete records were not provided by some of the production companies. As a result, we were unable to determine the allowability of all expenditures. In addition, many of the production companies failed to submit bank statements. As a result, we were unable to determine if the amounts claimed for all expenditure tax credits were actually paid.

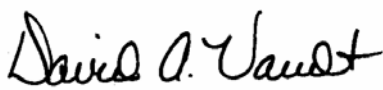
If sufficient records had been available, it is likely additional concerns regarding the allowability of expenditures would have been identified. As a result, the amount of tax credit certificates which should have been issued may be less than the amounts calculated.

Several internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Investigative Summary and **Exhibits A** through **P** of this report.

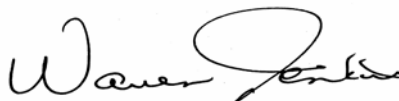
The procedures described above do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the Department of Economic Development's Film Office, other matters might have come to our attention which would have been reported to you.

Copies of this report have been filed with the Department of Revenue, the Division of Criminal Investigation, the Attorney General's Office and the Polk County Attorney's Office.

We would like to acknowledge the assistance extended to us by personnel of the Department of Economic Development, the Department of Revenue, the Division of Criminal Investigation and the Attorney General's Office during the course of our review.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 19, 2010

Film, Television and Video Project Promotion Program
Administered by the Film Office of the Department of Economic Development

Investigative Summary

Background Information

The Film Office (Office) was established within the Department of Economic Development (Department) over 20 years ago. The Office's mission is to promote Iowa nationally and internationally as a location to film movies, television programs, commercials and other similar programming. The Office promotes Iowa by attending national and international film festivals and conferences. The Office also acts as a point of contact for companies and individuals who are interested in filming in Iowa. The Office routinely distributes pictures of various Iowa locations and contact information for various cities, counties and Iowa businesses interested in working with companies considering filming in Iowa.

During the 2007 session, the General Assembly enacted the "Film, Television and Video Project Promotion Program" (Program). According to section 15.392 of the *Code of Iowa*, the purpose of the Program is to "assist legitimate film, television, and video producers in the production of film, television, and video projects in the state and to increase the fiscal impact on the state's economy of film, television, and video projects produced in the State. The Program includes assistance in the production of advertising projects in a film, television, or video medium." According to the legislation, the Program was effective May 17, 2007 and applied retroactively to tax years beginning on or after January 1, 2007. The Department filed emergency rules on June 15, 2007, which were effective the same day. The published date of the administrative rules is July 4, 2007.

Tom Wheeler was hired as the Film Office Manager (Administrative Assistant 4), effective January 5, 2004. The Department was unable to provide a written job description for the Film Office Manager. However, according to Mr. Wheeler and Department staff we spoke with, much of Mr. Wheeler's time beginning May, 2007 involved working with the Program. Mr. Wheeler's duties included:

- Promoting Iowa as a location to film movies, television programs, commercials and other similar programming.
- Promoting the Program.
- Receiving, reviewing, approving or denying applications for the Program.
- Obtaining all required signatures on applications.
- Preparing contracts using the shell contract reviewed and approved by the Department's in-house legal counsel.
- Ensuring all contracts were properly signed.
- Visiting locations while filming was in progress to observe the production.
- Reviewing completed projects expenditure and investment records to determine eligibility for tax credits.
- Preparing the tax credit certificates for approval by the Department Director or his designee.
- Notifying the Department of Revenue when tax credit certificates were issued.
- Beginning in fiscal year 2008, providing the expenditure detail to the Department's accounting staff for additional review of eligibility.

Prior to July 1, 2007, the Office was a part of the Community Development Division. Effective July 1, 2007, the Office was moved to the Business Development Division (Division), which consists of approximately 40 staff. Jeff Rossate was the Division Administrator. The day-to-day

operations of the Division were handled by Amy Johnson, the Deputy Division Administrator. Mr. Wheeler reported to Ms. Johnson and Mr. Rossate and was to provide updates on the activities of the Office, including information on projects applying for the tax credits, projects ready to sign contracts, the status of ongoing projects and those projects which were completed and tax credit certificates were ready to be issued.

Although Mr. Wheeler was the only full time staff person assigned to the Office, he was able to enlist the services of an Administrative Assistant, who was shared by the whole Division, and the Division Secretary, who reported to Ms. Johnson and Mr. Rossate. According to Ms. Johnson and other Department staff, Mr. Wheeler was to request assistance from Ms. Johnson and Mr. Rossate when needed. According to Department staff we spoke with, Mr. Rossate and Ms. Johnson did not allocate time to the Office on their time sheets.

Table 1 summarizes the Office's budgeted expenditures for fiscal years 2006 through 2010.

Table 1					
Description	Budgeted Expenditures by Fiscal Year				
	2006	2007	2008	2009	2010
Film Office Manager	\$ 59,508.00	65,525.00	66,331.00	70,387.00	90,021.00
Support Staff Salary*	13,018.00	11,261.00	16,264.00	17,616.00	40,723.00
Travel	13,500.00	11,000.00	9,400.00	8,641.00	7,000.00
Overhead ^	29,100.00	38,200.00	34,600.00	21,500.00	10,076.00
Total	\$ 115,126.00	125,986.00	126,595.00	118,144.00	147,820.00

* - Salary allocation for shared Administrative Assistant, Division Secretary and other staff. In FY 2010, additional accounting staff were to be allocating time to review expenditures.

^ - This includes expenditures such as rent, utilities and equipment.

As illustrated by the **Table**, the budget increased for fiscal year 2007. Department staff we spoke with stated the increase was due to the normal budgeting process and additional funding allocated to the Film Office before the legislation creating the Program. The decline in 2009 was a result of Department officials budgeting less overhead to the Office. Budgeted overhead costs continued to decline for fiscal year 2010. However, according to Department staff, additional support staff salary was budgeted for fiscal year 2010 to provide more support for the Office.

As previously stated, Mr. Wheeler was responsible for overseeing the Office, including the review and calculation of the Program's tax credits. The Program allows for expenditure tax credits and investment tax credits, as follows:

Expenditure Tax Credits - The expenditure tax credits are based on qualified expenditures made to Iowa based businesses and Iowa residents. Section 15.393(2)(a) of the *Code of Iowa* allows a registered project to receive a "tax credit equal to twenty-five percent of the qualified expenditures on a project." The expenditure tax credits were to be issued to the production company.

Section 15.393 of the *Code of Iowa* defines a qualified expenditure as "a payment to an Iowa resident or Iowa-based business for the sale, rental or furnishing of tangible personal property or for services directly related to the registered project including but not limited to aircraft, vehicles, equipment, materials, supplies, accounting, animals and animal care, artistic and design services, graphics, construction, data and information services, delivery and pickup services, labor and personnel, lighting, makeup and hairdressing, film, music, photography, sound, video and related services, printing, research, site fees and rental, travel related to Iowa distant locations, trash removal and cleanup, and wardrobe."

The *Code of Iowa* and the Department's administrative rules state a qualified expenditure is "a payment to an Iowa resident or Iowa based business for the sale, rental, or furnishing of tangible personal property or for services directly related to the registered project."

Investment Tax Credits – The investment tax credits are to be issued to the investors in the project. The investment tax credits are limited to the amount of the expenditure tax credit received by the production company. According to the Department's administrative rules, an investor is defined as "a person or entity that participates financially in a film, television, or video project that is registered by" the Department. In accordance with these rules, any individual or company can invest in a project.

The investment tax credits were allowed for any investor, whether an Iowa business, Iowa resident, a non-resident or a business located outside the State. Section 15.393(2)(b) of the *Code of Iowa* states, in part, the "tax credit shall equal twenty-five percent of the investment in the project, except that the tax credit shall not exceed twenty-five percent of the qualified expenditures on the project." Section 15.393(2)(b) states, "A taxpayer shall not claim a tax credit under this paragraph "b" for qualified expenditures for which a tax credit is claimed under paragraph "a"."

Exhibit A summarizes the tax credit certificates issued by the Department. **Appendix 1** includes a list of all the projects and their status at the time the Program was suspended on September 18, 2009. The issuance of the expenditure and investment tax credit certificates reduced the amount of tax revenue collected by the State by the amount of tax certificates redeemed.

As stated previously, the expenditure tax credit certificates were to be issued to the production companies and the investment tax credit certificates were to be issued to the investors. In order to claim the tax credits, the individual or company must have a tax liability to the State of Iowa as defined by the *Code of Iowa*. The *Code of Iowa* allows both types of tax credit certificates to be transferred or sold. Because most of the production companies and investors which received the tax credit certificates were not Iowa residents or Iowa businesses, they usually had no tax liability to the State. As a result, the production companies and investors often sold the tax credit certificates to Iowa residents and companies with a tax liability to the State of Iowa for a discounted price.

The tax credit certificates were typically sold at a discount by brokers who specialize in the sale of tax credit certificates. The sale of the certificates provided cash to the production companies for bills incurred from the production and allowed the investors to recover a portion of their investment. The individuals or companies who purchased the tax credit certificates used them to reduce their tax liability owed to the State.

Concerns regarding the Program were identified by Department staff after reports surfaced alleging certain production companies claimed the purchase of luxury cars as a production expense, but the vehicles had been taken to California for personal use. Specifically, Department officials learned of a Mercedes Benz purchased from a Des Moines auto dealer for approximately \$50,000.00. According to Department staff we spoke with, Mr. Wheeler told staff the car was used for ground transportation while the film was being shot in Iowa. After filming was completed, the car was shipped to California by the producer of the film for his personal use. Because the vehicle purchased had been claimed as a production expense, the producer received a tax credit for 25% of the cost.

As a result of the concerns identified, the Governor requested the Auditor of State, the Attorney General and the Director of the Department of Revenue review and investigate the operations of the Office. In addition, Fred Hubbell, Interim Director of the Department, requested the Office of Auditor of State investigate the Program and the Office. The Program was suspended on September 18, 2009 at the Governor's direction. Mr. Wheeler was placed on paid administrative leave, effective September 15, 2009, and was terminated from employment, effective September 21, 2009.

Representatives of the Office of Auditor of State, the Attorney General's Office and the Department of Revenue met to discuss how to efficiently review and investigate the operations of the Office in a coordinated manner. It was determined the individual offices would review certain film projects, as follows:

- The Office of Auditor of State would review the film projects for which tax credit certificates had been issued prior to the suspension of the Program.
- The Department of Revenue would review the requests for tax credit certificates for projects which, at the time the Program was suspended, had a contract with the Department, had completed production and were eligible for, but had not yet received, tax credit certificates allowed by the Program.
- The Attorney General's Office would review all projects for which an application had been approved but a contract had not yet been completed.

As a result, this report includes findings related to the projects for which tax credit certificates were issued by September 18, 2009. At the time the Program was suspended, \$31,967,642.56 of tax credit certificates had been issued. **Table 2** lists the tax credit certificates issued by the Department from December 26, 2007, the date of the first certificate issued, through September 18, 2009. The **Table** also identifies the production company and the project for which the tax credit certificates were issued. Each of the projects listed in **Table 2** are discussed in detail in the following sections of this report.

Table 2

Production Company	Project Title	Tax Credit Certificates Issued		
		Expenditure	Investment	Total
August Home Studios, LLC	<i>The Woodsmith Shop</i>	\$ 205,469.00	-	205,469.00
Cedar Rapids Opera Theatre	<i>Madama Butterfly</i>	100,378.00	-	100,378.00
Changing Horses Productions	<i>Saddle Up with Dennis Brouse</i>	-	1,955,606.50	1,955,606.50
Changing Horses Productions	<i>Saddle Up with Dennis Brouse</i>	-	1,194,578.50	1,194,578.50
Changing Horses Productions	<i>Saddle Up with Dennis Brouse</i>	574,161.50	574,161.50	1,148,323.00
Changing Horses Productions	<i>Saddle Up with Dennis Brouse</i>	1,904,575.00	-	1,904,575.00
Changing Horses Productions	<i>Saddle Up Documentary DVDs</i>	1,533,639.00	1,533,639.00	3,067,278.00
Children of the Corn Productions Corp.	<i>Children of the Corn</i>	1,222,169.07	-	1,222,169.07
Cornfield Productions	<i>Peacock</i>	3,209,390.06	-	3,209,390.06
Duck Farm Films	<i>16 to Life</i>	130,685.07	130,685.07	261,370.14
Final Season, Inc.	<i>The Final Season</i>	75,712.36	75,712.36	151,424.72
Hawthorne Direct	<i>Applica Lean Fryer</i>	42,817.21	42,817.21	85,634.42
Hawthorne Direct	<i>Haan Steam Products</i>	48,660.13	48,660.13	97,320.26
Hawthorne Direct	<i>Applica Lean Fryer 2</i>	35,141.01	35,141.01	70,282.02
Iowa Film Production Services	<i>Splatter</i>	2,417,231.00	2,417,231.00	4,834,462.00
Iowa Film Production Services	<i>The Offering</i>	796,701.66	796,701.66	1,593,403.32
LionHeart Films	<i>South Dakota</i>	1,678,341.69	-	1,678,341.69
Mississippi Films	<i>Five Step Credit Program</i>	30,008.54	30,008.54	60,017.08
Polynation Pictures	<i>The Scientist</i>	1,850,777.85	-	1,850,777.85
Single A Films	<i>Sugar</i>	177,536.95	-	177,536.95
Ticket Out Productions	<i>Ticket Out</i>	2,919,953.50	2,919,953.50	5,839,907.00
Twelve Thirty Productions	<i>Twelve Thirty</i>	629,698.25	629,698.25	1,259,396.50
Total		\$ 19,583,046.85	12,384,594.23	31,967,641.08

During our review of the documentation available for the projects listed in the **Table** and during discussions with representatives of the Attorney General's Office and the Department of Revenue we identified several concerns. The concerns include how expenditure and investment tax credits were calculated and the types of expenditures Mr. Wheeler considered qualified for the expenditure tax credits. The concerns identified are summarized in the following paragraphs and are discussed in detail for each applicable project.

Calculation of Expenditure Tax Credits – Expenditure tax credits are to be based on the actual qualified expenditures directly related to the film project. Once the expenditures had been verified by Mr. Wheeler, an expenditure tax credit certificate was to be issued to the production company. Our investigation identified several areas of concern related to the issuance of expenditure tax credit certificates. The concerns are summarized in the following paragraphs and are addressed in detail for certain projects.

Use of Estimates – The application submitted by the production companies and the final contracts approved by the Department included estimated expenditures. However, Program rules required the expenditure tax credit certificates be issued based on actual payments to Iowa based businesses and residents. In e-mails from Mr. Wheeler to various production company representatives, Mr. Wheeler stated an increase in the budget was good for all parties involved. According to Mr. Wheeler's correspondence, increased expenditures would benefit Iowa businesses and Iowa residents. In addition, the production company would benefit from increased tax credits. Examples of e-mails sent by Mr. Wheeler are included in **Appendix 2**. We identified several projects for which the expenditure tax credit certificate issued was based on budgeted amounts rather than final expenditures. In one instance, the project was still in post-production and had expended only \$9.5 million of the \$12 million included in the final report submitted by the production company.

Deferred Payments - As previously stated, the administrative rules established by the Department state a qualified expenditure is "a payment to an Iowa resident or Iowa based business for the sale, rental, or furnishing of tangible personal property or for services directly related to the registered project" (*emphasis added*). However, we identified a number of projects which received tax credits for expenses which had not actually been paid by the production company. Some of these instances were described as deferred expenses.

Some production companies claimed expenses for which an agreement was established between the production company and certain individuals working on the film. In accordance with the agreement, the individual was to be paid a set salary and be reimbursed for expenses. However, the individual actually received a reimbursement for expenses and a small portion of the salary listed in the agreement. The remaining salary was to be paid upon completion of established criteria, such as the film being sold for an established amount. If the film was not sold or was sold for less than the established amount, the individual did not receive payment for the remaining salary. An example of these agreements is included in **Appendix 3**.

By reviewing documents obtained from the Department, we determined Mr. Wheeler was informed of concerns regarding deferred expenses in late June 2009. In a letter received on June 29, 2009, an individual stated Wendy Weiner, an owner of a production company, told him "they put millions of dollars in phony deferments with people they know and then gets tax credits to cover it." A copy of the letter is included in **Appendix 4**.

The letter included an example which the individual stated Ms. Weiner told him. In the example, Ms. Weiner tripled the cost for vendors and crew and wrote deferred contracts for the full amount, even though she never had any intention of paying the deferred amounts. As one of the owners of the company, Ms. Weiner then filed the total costs with Mr. Wheeler and received an expenditure tax credit certificate which allowed the production company to pay for the project.

Mr. Wheeler responded to the letter on June 29, 2009. In his response, he stated he would follow up with the production company and emphasize the use of deferrals would no longer be allowed. A copy of Mr. Wheeler's response is also included in **Appendix 4**. According to Mr. Wheeler, he attempted to contact the individual who sent the letter, but the individual did not include a phone number. He stated he sent a letter to the address on the original letter, but it was returned as undeliverable.

Despite the letter from Mr. Wheeler stating deferred payments would no longer be acceptable as qualified expenditures, Mr. Wheeler continued to use deferred payments for projects we reviewed. By reviewing e-mails between Mr. Wheeler and a representative of Iowa Film Production Services, we identified several messages relating to the use of deferred payments and their allowability for the Program. According to the representative from Iowa Film Production Services, Mr. Wheeler told him the Department of Revenue had approved the use of deferred payments. We reviewed the e-mail correspondence between Mr. Wheeler and a representative of the Department of Revenue and found no e-mails which discussed the use of deferred payments. When we spoke with the Department of Revenue representative, he stated he did not approve the use of deferred payments as qualified expenditures for the Program.

Guidance issued by the Department on December 22, 2009 stated "Are deferred payments qualified expenditures? No, the statute requires "payments," not a promise to pay." Based on the statute and the guidance provided, deferred payments are not a qualified expenditure. Both the *Code of Iowa* and the Department's administrative rules are clear a payment is required in order for expenditures to qualify for the tax credit. This section of the *Code of Iowa* and the administrative rules were in place from the beginning of the Program. As a result, we disallowed all deferred payments in our calculations of the expenditure tax credits.

In-kind Expenditures – As previously stated, the administrative rules established by the Department state a qualified expenditure is "a payment to an Iowa resident or Iowa based business for the sale, rental, or furnishing of tangible personal property or for services directly related to the registered project" (*emphasis added*). In guidance the Department issued on December 22, 2009, the Department clearly stated in-kind expenditures are not "payments." However, we identified a number of film projects which received a tax credit for expenses which had not actually been paid by the production company. Some of these instances were described as in-kind expenditures.

For certain projects, an expenditure was claimed for goods or services provided by a vendor in exchange for promotional advertising in the production. For example, the film included an acknowledgement such as "This film was produced with help from our sponsor, <sponsor's name.>" In other cases, the vendor which provided goods or services was provided an investment stake in the production rather than a promotional mention.

During our investigation, we identified several communications between Mr. Wheeler and a representative of a production company which included an e-mail thread involving a representative of the Department of Revenue. In the e-mail thread, Mr. Wheeler requested an opinion from the Department of Revenue representative regarding the use of in-kind sponsorships from a vendor on a particular project. According to the e-mail, the vendor would provide an invoice for the sponsorship provided at fair market value. In return, the production company would provide the sponsor recognition during the final film product. The production company would also claim the in-kind expenditure at its fair market value as an expenditure of the production. In his response, the Department of Revenue representative agreed the expenditure could be claimed for the tax credit. Copies of the communications are included in **Appendix 5**.

Based on discussions between representatives of the Office of Auditor of State, the Attorney General's Office and the Department of Revenue, it was determined in-kind expenditures do not qualify for the Program's expenditure tax credits because a payment was not made to the vendor or individual. The *Code of Iowa* and the Department's administrative rules require a payment be made to an Iowa based business or Iowa resident.

Unqualified Expenditures – As previously stated, a qualified expenditure is a payment made to an Iowa resident or an Iowa based business and is directly related to the registered project. We determined a number of the films we reviewed claimed expenditures made to non-residents and businesses located outside the state. We also identified expenditures which were not directly related to the production of the film. As a result, the expenditures do not meet the definition of qualified expenditures established in the *Code of Iowa*. Examples of the unqualified expenditures identified include advertising and marketing of the film and commissions paid on the sale of tax credit certificates.

Shell Companies - We determined a number of production companies used Iowa “shell companies” to make certain expenditures appear to be qualified expenditures. The shell companies were used to process payments for goods and services purchased from non-Iowa residents or businesses not located in Iowa. In accordance with the Department’s administrative rules, items not purchased from an Iowa based business or Iowa resident are not eligible to be claimed for an expenditure tax credit.

According to e-mails between Mr. Wheeler and a representative of the Department of Revenue, a shell company is created by registering a business with the Secretary of State. According to information filed with the Secretary of State, some shell companies only had a registered agent and an address in the State of Iowa. The shell companies did not necessarily have employees in Iowa or were not managed and directed in Iowa. Based on discussions with staff from the Attorney General’s Office and staff from the Department of Revenue, an Iowa based business is defined as a business which is managed and directed in Iowa and has an Iowa address and employees.

By reviewing the e-mails, we also determined a representative of the Department of Revenue reported to Mr. Wheeler the definition of an Iowa based company should follow the requirements set forth in the Department of Revenue’s administrative rules. The Department of Revenue representative specified various references to the rules in e-mails to Mr. Wheeler. However, according to the e-mails between Department staff, it was determined the Office would follow its own rules and not those of the Department of Revenue. As a result, the Department allowed payments to shell companies registered with the Secretary of State as qualified expenditures, regardless of the location of the vendor or individual receiving the final payment.

Based upon guidance from the Attorney General and the Department of Revenue, we treated payments to shell companies which were for purchases from an Iowa based business or Iowa resident as a qualified expenditure for the expenditure tax credit calculation. However, payments made by the shell companies to vendors located outside the state or to nonresidents were not allowed for the expenditure tax credit calculation.

Payroll – Payroll costs are qualified expenditures if the payments are made to Iowa residents. We attempted to determine if the individuals for whom payroll amounts were claimed as expenditures were residents of Iowa. We used the addresses provided by the production companies, when available, and internet searches using various web sites to determine if the individual had a residence in Iowa. Because we do not have access to information such as individual tax returns, we are unable to access records which would have provided confirmation of an individual’s residency status. We did not allow payroll costs for individuals for whom an address in Iowa could not be located or for whom residency information was not provided by the production company.

Prior to issuing the expenditure tax credit certificates, Mr. Wheeler was to verify expenditures claimed for the expenditure tax credit were qualified. Once the expenditures were verified, the amount of the expenditure tax credit was to be calculated and the tax credit certificate issued. However, Mr. Wheeler did not verify the expenditures prior to issuing the expenditure tax credit certificates. The following procedures should have been performed to verify expenditures were qualified:

- Review a listing of detailed expenditures to determine their allowability in accordance with the *Code of Iowa* and Department administrative rules.
- Verify the expenditure was paid by obtaining the redeemed checks or the corresponding bank statement to ensure the payments cleared the account.
- Confirm with vendors and individuals payment was received for the goods and services provided.
- Verify the vendors were located in Iowa and individuals were Iowa residents.

Based on discussions with Mr. Wheeler, he did not perform a review of the expenditures claimed for the tax credit certificates he issued. He performed what he referred to as a “spot audit.” This was a process in which he sent an e-mail to selected vendors to confirm they had been paid by the production company. Mr. Wheeler also stated he reviewed the expenditure report submitted by the production company. If he identified any concerns based on the limited detail provided in these reports, he requested additional information.

According to Mr. Wheeler, after completing his limited review, he calculated the certificate values based on the total expenditures reported by the production company. According to Mr. Wheeler and other Department staff we spoke with, Mr. Wheeler did not request detailed records from the production companies. In several cases, detailed records were found at the Department. However, the records were still sealed in boxes and had not been opened by Mr. Wheeler or any other Department staff.

Calculation of Investment Tax Credits – According to discussions with Department officials and a copy of a document used by Mr. Wheeler to promote the program, we determined Mr. Wheeler advertised the Program as “Half-Price Filmmaking”, even though the expenditure tax credits established by the *Code of Iowa* were limited to 25% of qualified expenditures and the investment tax credits were also limited. As stated previously, the *Code of Iowa* specifically prohibited a taxpayer from claiming an investment tax credit for qualified expenditures for which an expenditure tax credit was claimed. A copy of a marketing tool used by Mr. Wheeler is included in **Appendix 6**.

In accordance with the requirements established by the *Code of Iowa* and guidance provided in an update issued by the Department dated December 22, 2009, the investment tax credit is to be calculated as “25% of the taxpayer’s investment in the film. An investment tax credit cannot be claimed for which a qualified expenditure tax credit certificate is issued. The investment tax credit is also capped at 25% of the amount of qualified expenditures on the film project”. **Table 3** summarizes the guidance provided.

Table 3

Description	Hypothetical Case #1	Hypothetical Case #2	Hypothetical Case #3
(A) Total investment in the project	\$ 1,000,000.00	1,000,000.00	500,000.00
(B) Less total qualified expenditures^	(550,000.00)	(400,000.00)	(500,000.00)
(C) Allowable qualified investment	450,000.00	600,000.00	-
Multiplied by the tax credit percentage	25%	25%	25%
(D) Total investment tax credit (C x 25%)	\$ 112,500.00	150,000.00	-
(E) Maximum expenditure tax credit (B x 25%)	\$ 137,500.00	100,000.00	125,000.00
Total investment tax credit to be awarded (lesser of D or E*)	\$ 112,500.00	100,000.00	-

^ - Claimed for expenditure tax credit by the production company.

* - The investment tax credit was limited to the amount of the expenditure tax credit.

For each case presented in **Table 3**, it was assumed the total investment amount was spent by the production company and no portion of the investment was left unspent. Hypothetical case #1 provides an example where the investment tax credit is limited to 25% of the expenditures which were not qualified and/or claimed for the expenditure tax credit. Hypothetical case #2 shows an example where the investment tax credit is limited to the amount awarded for the expenditure tax credit. For hypothetical case #3, because the amount invested did not exceed the qualified expenditures claimed for the expenditure tax credit by the production company, the investor is not eligible to receive an investment tax credit.

As illustrated by **Table 4**, the films could not have been produced for “half-price” as advertised by Mr. Wheeler if the investment tax credits were calculated correctly. Because of the limits established by the *Code of Iowa*, the maximum tax credits to be issued for any film should not have exceeded 25% of the total costs. **Table 4** uses the 3 hypothetical cases presented in **Table 3**.

Table 4			
Description	Hypothetical Case #1	Hypothetical Case #2	Hypothetical Case #3
Maximum expenditure tax credit	\$ 137,500.00	100,000.00	125,000.00
Maximum investment tax credit	112,500.00	100,000.00	-
Total tax credits available	\$ 250,000.00	200,000.00	125,000.00
Percent of total costs	25%	20%	25%

Our investigation identified several areas of concern related to the issuance of investment tax credit certificates. We identified a number of investment tax credits which were calculated based on amounts which had not been spent or invested in the projects. To determine the appropriate amount of investment tax credits for each project, we identified the total expenditures claimed and reduced that amount by the qualified expenditures for which an expenditure tax credit was allowable. We then adjusted for any costs which had not been paid. Because the amounts had not been paid, there was not a corresponding investment in the project. The specific concerns identified are summarized in the following paragraphs and are addressed in detail for certain projects.

Deferred Payments - As previously stated, we identified a number of projects which received expenditure tax credits for expenditures which had not actually been paid by the production company. Some of these instances were described as deferred payments. Because the payments had not been made, we excluded the deferred payments from the calculation of the investment tax credit certificates which should have been issued.

In-kind Investments - In-kind investments are an allowable form of investment only if the investor receives an equity investment in the project rather than goods or services. However, several production companies claimed in-kind investments from outside parties to whom they, in turn, provided goods or services, such as sponsorships, and claimed the value of the goods or services as a qualified expenditure. Because goods or services were claimed as a qualified expenditure, an in-kind investment did not occur and, as a result, is excluded from the calculation of allowable investment tax credits.

No Proof of Payment – We requested proof of payment for expenditures claimed by certain production companies. However, sufficient documentation was not provided for some projects. Because we were unable to verify payments were made for certain projects, we excluded these amounts from the calculation of investment tax credit certificates which should have been issued.

As a result of our investigation, we determined Mr. Wheeler included unqualified expenditures in the total expenditures used in calculating the tax credit certificates, including in-kind expenditures, deferred payments and payments to out-of-state vendors and non-residents.

SCOPE AND METHODOLOGY

As a result of the concerns identified, we performed the procedures detailed in the Auditor of State's report for the period May 17, 2007 through September 21, 2009. We reviewed the applicable sections of the *Code of Iowa* and the Department's administrative rules. We also interviewed Department staff to gain an understanding of how the Program was administered. Specifically, we gained an understanding of the process used by the Department and Mr. Wheeler from the time an application was received through the issuance of the tax credit certificates. After reviewing the process used by the Office and how the Program was to be administered, based on the *Code of Iowa* and the administrative rules, we reviewed any available documentation and related information for the 22 film projects which received tax credit certificates. For the 22 projects, we reviewed records maintained and received by the Office, which included:

- Applications and contracts,
- Form Z or similar expenditure reports filed with the Office which were used to calculate the tax credit certificates to be issued,
- Detailed records when received by the Office,
- Tax credit certificates issued,
- E-mails, memos and letters between Department representatives and the production companies and
- E-mails between Department representatives and the Department of Revenue.

Based on a preliminary review of the information available at the Department, we identified 14 projects for which we determined more detailed procedures were necessary. Of the 14 projects selected, 13 received tax credit certificates in excess of \$500,000.00 each. For each of the 14 projects, we contacted representatives of the production companies and requested detailed records for the projects. The records requested and subsequently reviewed included:

- Detailed listings of expenditures made by check, credit card or petty cash,
- Copies of checks and petty cash vouchers,
- Detailed invoices, credit card statements and detailed support attached to the copies of checks, credit card statements or petty cash vouchers,
- Bank statements when available or provided by the production companies,
- Payroll journals,
- Copies of agreements, referred to as "Deal Memos", between the production company and individuals.
- Copies of in-kind agreements and
- Investor information when made available by the production companies.

For the remaining 8 projects, the Department issued less than \$500,000.00 of tax credit certificates in total. For these 8 projects, we limited our review to the documentation available at the Department. We did not request detailed records from the production companies.

Following is a summary of the findings related to the Department's administration of the Program and the 22 projects included in our investigation. As a result of our findings, we have identified certain recommendations to be considered by the Department and the General Assembly.

Detailed Findings

Department Procedures - As previously stated, the Program became effective May 17, 2007 and was applied retroactively to tax years beginning on or after January 1, 2007. The Department filed emergency rules on June 15, 2007, which were effective the same day. According to the administrative rules, the publication date was July 4, 2007. Based on discussions with Department staff, projects followed the following process:

- Application,
- Contract,
- Production,
- Department review,
- Issuance of tax credit certificates.

We requested from Department staff any written policies and procedures used by Mr. Wheeler to administer the Program. Department staff we spoke with were unable to provide any written policies or procedures other than the administrative rules and draft procedures which were to be implemented in July 2008. Using this information and discussions with Department staff, we reviewed each step in the process of issuing tax credit certificates for the Program. The process followed by the Department and the concerns identified during our investigation are summarized in the following paragraphs.

Application

The *Code of Iowa* requires each project to register and be approved by the Office. Companies register with the Office by completing and submitting an application. The *Code of Iowa* requires a project to comply with the following criteria:

- The project is a legitimate effort to produce an entire film, television or video episode or a film, television or video segment in the State.
- The project will include expenditures of at least \$100,000.00 in the State and have an economic impact on the economy of the State or locality sufficient to justify assistance under the program.
- The project will further tourism, economic development and population retention or growth in the State or locality.
- Other criteria established by rule relating to the economic impact and promotional aspect of the project on the State or locality. This covers any rules the Department may enact in order to evaluate the economic impact of the project.

We reviewed the application used by Mr. Wheeler and determined it included information which showed the type of project and the project budget, including the amount to be spent in Iowa. It was not clear how the application addressed the economic impact on the State or how the application demonstrated the project would “further tourism, economic development and population retention or growth” other than the budget amount to be spent in Iowa.

The application included a statement of intent indicating the project would be distributed outside the Midwest region. By reviewing the project files and other information provided by the Department, we were unable to identify any information which showed each project was reviewed to evaluate the economic impact on the State or locality other than the budget or how the project would help retain or increase the population. A copy of the application is included in **Appendix 7**.

Mr. Wheeler made the application available on the Department's web site. In addition, applications were sent to any production company which requested an application be mailed. The production companies mailed the completed applications or submitted them electronically to Mr. Wheeler. If the application was received electronically, Mr. Wheeler saved the application on the Department's network.

According to Mr. Wheeler, when an application was received, he reviewed it to ensure it was complete and signed. If information was missing, he requested the production company provide the missing information. Once he completed his review, he signed the application indicating it was complete and met the requirements of the Program.

A letter was then sent to the production company stating the application was approved and it may begin contract negotiations. The letter was usually signed by Mr. Wheeler. However, beginning in July 2008, the procedure changed and the Director or the Deputy Director signed the letter after presenting a list of approved project applications to the Iowa Economic Development Board (Board) as an informational item.

By reviewing the application process, we identified the following concerns:

- Prior to July 2008, applications were not reviewed by anyone other than Mr. Wheeler. Beginning in July 2008, Mr. Wheeler was to present information on the applications to the Division Coordinator and Division Administrator. According to staff we spoke with, those meetings were not always held.
- Mr. Wheeler did not rate the applications. If the application provided the information required by the Program rules, the application was approved. According to Mr. Wheeler, applications would only be denied if they did not demonstrate the intent to distribute outside the Midwest or the project had a budget less than \$100,000.00.
- Because the legislation establishing the Program did not cap the amount of tax credits allowed, any project which met the requirements of the Program was allowed to contract with the Department and to receive tax credit certificates.
- Prior to July 2008, the Department's Board of Directors was not involved in the Program. The Board was unaware of the number, type of projects or an estimate of the amount of tax credit certificates which could be issued. During July 2008, the Director began to provide information to the Board of Directors about the films which were approved for the Program. The Board was not required to take any action on the information. The information was presented to the Board to keep them informed of the Program's progress.
- Department staff was unable to provide any written procedures beyond the information included in the administrative rules. However, the Division Coordinator provided us a copy of draft procedures which were to take effect in July 2008. These procedures were never formally approved.

According to Department staff, the procedures were to change in July 2008. Beginning in July 2008, applications were to be reviewed during a monthly meeting between Mr. Wheeler and his supervisors. Once the list of approved projects was completed, it was to be forwarded to the Director for his approval. The Director would then present the list of approved projects to the Board as an informational item at the monthly Board meeting. After the Board meeting, the Director or the Deputy Director would sign letters indicating the individual projects were approved or denied. Once the production company received the approval letter, the company would work with Department staff to complete the contract. According to staff we spoke with, the procedural changes were never formally put in writing and were not followed in most cases.

The application also includes a section where a production company can request information in the application be considered confidential in accordance with section 22.7 of the *Code of Iowa*. The Office cited the following specific sections in the application.

- *Iowa Code* section 22.7(3) – Trade secrets.
- *Iowa Code* section 22.7(6) – “Reports to governmental agencies which, if released, would give advantage to competitors and serve no public purpose.”
- *Iowa Code* section 22.7(8) – “Information on industrial prospect with which [the Department] is currently negotiation.” This section only allows the information to be treated as confidential until negotiations are completed.
- *Iowa Code* section 22.7(18) – “Communications not required by law, rule or regulation made to [the Department] by persons outside the government to the extent [the Department] could reasonably believe that those persons would be discouraged from making them to the Department if they were made available for general public examination.”

The application provides a brief synopsis of the film, the names of the producers, the company producing the film, a total estimated budget and the dates of production. The application also includes appendixes for the production budget and investors in the project.

As illustrated by **Appendix 7**, the confidentiality section of the application includes preprinted information where the production company only needs to check the box which shows why the information should be considered confidential. For each project we reviewed, the production companies used section 22.7(6) of the *Code of Iowa* as the basis for requesting confidentiality. The only portion of the application and contract which appears confidential in nature is the names of the investors included in the appendixes.

We believe a public purpose would be served by allowing the citizens of the State to be informed of the amounts which the production companies estimate will be spent in the State and, therefore, the possible economic impact on Iowa. In addition, the public would be served by knowing the estimated tax revenue the State may forgo by awarding the tax credit certificates. The final impact on the State will not be known until the project is completed and the production company files its final report to claim the tax credits.

Contract

After registering and being approved for the Program, the Department and the production company entered into a contract. The Department used a “shell contract” which was prepared with the assistance of the Department’s in-house legal counsel. The shell contract contained the required language included in the Program’s legislation, including a description of the project, budget amount, production dates and general terms and conditions, including record keeping requirements and access to records clauses.

Mr. Wheeler used the information in the application to complete certain fields in the shell contract for each project. These fields included the production dates, production company, budgeted expenditures, intended distribution and contact information. The contract also included appendixes for the application, listing of investors and current project budget.

Once Mr. Wheeler completed the applicable fields, the contract was to go through the “CRO” process. The “CRO” process is the Department’s contract review process. Each contract was to be reviewed by the Division Coordinator, Fiscal Bureau and Legal Counsel. According to Melanie Johnson, the Department’s former Legal Counsel, she was only required to review the contract if changes were made to the shell contract. The review form also has lines for the Director or Deputy Director to sign off. Once the comments and recommendations from the reviewers were resolved, the contract was sent for the review and signature of the production company. If the production company negotiated any revisions, the contract went back through the “CRO” process.

Once all parties were satisfied, a production company representative signed the contract and returned it for the Director or Deputy Director's signature.

This process was also to be used for any subsequent amendments. In accordance with the administrative rules published by the Department, any changes to the registered project were to be reported in writing to the Department, along with a request for a contract amendment. After reviewing the request, the Department approved or denied the amendment. If approved, a written amendment was completed and signed by a production company representative and the Department.

According to discussions with Department staff and Mr. Wheeler, he did not follow the "CRO" process. Mr. Wheeler stated he was not aware of the process until the end of 2007 or early 2008. During our review of the contracts, we could not locate "CRO" sheets for 20 of the 22 projects we reviewed. Mr. Wheeler also stated he did not follow the Department's established process if an amendment was required. According to Mr. Wheeler, changes were usually to the budget amount or production dates. This usually occurred because the production companies would find they could do more in Iowa than they originally thought. In these cases, he changed the contract and saved it on the Department's computer system. Mr. Wheeler also stated it was understood the numbers in the contract were budget figures and would change and the tax credit certificates would be issued on the actual amount spent in Iowa.

Production

According to Mr. Wheeler, there was not much to be done during the project's actual production until the production company submitted its request for the tax credit certificates. During this time, he visited the set or answered questions from the production company. Mr. Wheeler also stated he occasionally discussed problems with cast and crew who were not happy with the production company or the filming process.

The Program rules do not provide for any monitoring of the project while in the production stage. In reviewing the files provided by the Department, we determined Mr. Wheeler occasionally received electronic files during the project's production period which compared budget to actual amounts spent. We found no evidence indicating Mr. Wheeler reviewed any of this information. The only reviews identified were the "spot audits" performed by Mr. Wheeler when the production company filed the final report when it requested the tax credit certificates.

Department Review

The *Code of Iowa* requires the Department to verify the eligibility of the expenditures prior to issuing a tax credit certificate. By reviewing the administrative rules of the Program, we determined the Department did not establish any administrative rules for review of the expenditures. According to Department staff, all expenditures were reviewed by Mr. Wheeler.

According to Mr. Wheeler, he considered production completed when the production company informed him they were done. Once he received notification from the production company, he requested the production company submit a final report for the film. Mr. Wheeler reviewed the report for information which did not qualify for a tax credit. According to Mr. Wheeler, he also asked the companies to submit a list of vendors. This list was used to perform what he referred to as a "spot audit."

Based on discussions with Mr. Wheeler and e-mails we reviewed, a "spot audit" is simply confirming payments with a vendor. In an e-mail sent by Mr. Wheeler and sometimes the production company, the vendor was asked to confirm if payment had been made and if the terms of any agreement had been fulfilled. Once selected vendors had confirmed they had been paid, Mr. Wheeler calculated the tax credit certificate amounts. The files provided by the Department included spreadsheets on which Mr. Wheeler documented the responses received from the

vendors and individuals contacted. These spreadsheets were not always completed. The files also contained saved copies of e-mails from vendors and individuals confirming they had been paid.

According to Mr. Wheeler, he did not request the production companies send in detailed records. According to Mr. Wheeler, he relied on the contract language requiring the production companies to keep all support in case there were questions in the future. He stated several production companies submitted detailed records.

Beginning in July 2008, Mr. Wheeler was supposed to have the Department's Finance Bureau help review the project expenditures. According to Finance Bureau staff we spoke with, they were never asked to help in the review.

Based on our review of the reports submitted by many of the production companies, the reports lacked the necessary detail to determine if expenditures qualified for a tax credit. In most cases, critical information, such as the location of the vendor or the state of residency of the cast and crew, were not included. By reviewing the reports, Mr. Wheeler was able to identify some expenditures were ineligible based on the brief description provided, such as lead man or producer. However, because of the lack of detailed descriptions, he would not have been able to identify unqualified expenditures paid to out-of-state companies or payments which were not directly related to production.

We also found boxes containing detailed expenditure records at the Department which had been submitted by a production company. The boxes had not been opened. If the contents of the boxes had been reviewed, Mr. Wheeler would have likely identified expenditures which did not qualify for an expenditure tax credit, including payments to out-of-state vendors.

Our review also found no evidence Mr. Wheeler verified the investment in each film prior to awarding the investment tax credits. For each project for which an investment tax credit certificate was issued, Mr. Wheeler used the amount of expenditures used in the calculation of the expenditure tax credit as the basis for the investment tax credit.

Tax Certificate Issuance

As previously stated, the Program allowed for expenditure and investment tax credits. The Department was to calculate both types of tax credits and issue the expenditure tax credit certificate to the production company and the investment credit certificate to the investors. Once issued, the tax credit certificates could be sold by the production companies and the investors to any Iowa taxpayer. If sold or transferred, the original tax credit certificates were to be sent to the Department of Revenue. New tax credit certificates were to be issued by the Department of Revenue to the purchaser of the tax credit certificates.

By reviewing the tax credit certificates issued by the Department and discussing the issuance process with Department staff, we identified the following issues:

- Mr. Wheeler issued the tax credit certificates directly to the purchaser or to whomever the production company or investors asked the certificates to be issued to. This is not in compliance with the *Code of Iowa*.
- Certificates were issued on Department letterhead. By using Department letterhead, it would be easy to create or duplicate a certificate by copying the letterhead from the Department's website or correspondence and creating a document with the required information.
- Mr. Wheeler did not maintain copies of the signed tax credit certificates issued.
- In some cases, Mr. Wheeler issued investment tax credit certificates as expenditure tax credit certificates and vice versa.

- Department of Revenue staff we spoke with stated they did not consistently receive notification of tax credit certificates issued.
- We determined several tax credit certificates were voided and replacement tax credit certificates were issued. Department of Revenue staff stated they were not notified of any voided tax credit certificates. According to Department of Revenue staff, it is possible the production company which received the original tax credit certificate could still file and receive the tax credit. Department of Revenue staff stated it is possible they would catch the error when performing follow-up audit procedures.

Table 5 summarizes the excess tax credit certificates identified for each film. Detailed explanations of each film follow the **Table**.

Table 5

Production Company	Project Title	Excess/(Shortage of) Tax Credit Certificates Issued		
		Expenditure	Investment	Total
August Home Studios, LLC	<i>The Woodsmith Shop</i>	\$ 27,645.75	(27,645.75)	-
Cedar Rapids Opera Theatre	<i>Madama Butterfly</i>	66,529.75	(5,922.57)	60,607.18
Changing Horses Productions	<i>Saddle Up with Dennis Brouse</i>	(24,731.26)	1,930,875.24	1,906,143.98
Changing Horses Productions	<i>Saddle Up with Dennis Brouse</i>	(20,723.87)	1,173,854.63	1,153,130.76
Changing Horses Productions	<i>Saddle Up with Dennis Brouse</i>	574,161.50	574,161.50	1,148,323.00
Changing Horses Productions	<i>Saddle Up with Dennis Brouse</i>	1,904,400.75	(174.25)	1,904,226.50
Changing Horses Productions	<i>Saddle Up Documentary DVDs</i>	1,533,639.00	1,533,639.00	3,067,278.00
Children of the Corn Productions Corporation	<i>Children of the Corn</i>	1,099,564.37	(122,604.70)	976,959.67
Cornfield Productions	<i>Peacock</i>	2,796,050.82	(413,339.24)	2,382,711.58
Duck Farm Films	<i>16 to Life</i>	21,956.32	108,728.75	130,685.07
Final Season, Inc.	<i>The Final Season</i>	142.33	75,570.03	75,712.36
Hawthorne Direct	<i>Applica Lean Fryer</i>	1,070.00	42,817.21	43,887.21
Hawthorne Direct	<i>Haan Steam Products</i>	(3,712.28)	48,660.13	44,947.85
Hawthorne Direct	<i>Applica Lean Fryer 2</i>	4,960.02	35,141.01	40,101.03
Iowa Film Production Services	<i>Splatter</i>	1,967,205.93	2,400,322.26	4,367,528.19
Iowa Film Production Services	<i>The Offering</i>	667,300.25	788,507.09	1,455,807.34
LionHeart Films	<i>South Dakota</i>	963,260.21	(123,056.30)	840,203.91
Mississippi Films	<i>Five Step Credit Program</i>	29,759.42	29,759.42	59,518.84
Polynation Pictures	<i>The Scientist</i>	1,850,777.85	-	1,850,777.85
Single A Films	<i>Sugar</i>	1,149.26	(901.60)	247.66
Ticket Out Productions	<i>Ticket Out</i>	1,121,218.43	1,798,735.07	2,919,953.50
Twelve Thirty Productions	<i>Twelve Thirty</i>	573,774.51	573,774.51	1,147,549.02
Total		\$ 15,155,399.06	10,420,901.44	25,576,300.50

Changing Horses/Saddle Up

Changing Horses/Saddle Up is a series of television shows and DVD's related to the training of horses produced by Changing Horses Productions (Changing Horses). Changing Horses applied for and received expenditure and investment tax credit certificates for 5 separate projects. We have combined the 5 projects for discussion purposes. The following is a brief description of each project based on the information presented in the related application.

- *Changing Horses Training Videos* (08-Film-001) – “a program of training hard to handle horses.” According to the application, the films will be shown on public television and marketed by Changing Horses magazine and independent companies.
- *Changing Horses 2* (08-Film-002) – “a program of training hard to handle horses.” According to the application, the films will be shown on public television and marketed by Changing Horses magazine and independent companies. It is anticipated 13 episodes will be shot.
- *Saddle Up Season 2, Episodes 14-26* (08-Film-020) – “Saddle Up with Dennis Brouse is a program on training hard to handle horses.” According to the application, the films will be shown on public television and marketed by Changing Horses magazine and independent companies.
- *Saddle Up Season 2 Training DVD's* (08-Film-027) – “Saddle Up with Dennis Brouse is a program on training hard to handle horses.” According to the application, the films will be shown on public television and marketed by Changing Horses magazine and independent companies.
- *Documentary – Training Videos - Colt Starting* (08-Film-032) – “Saddle Up with Dennis Brouse is a family program about country living, general horse topics and training hard to handle horses.” According to the application, the films will be marketed and distributed in the same manner as previous projects, including public television, newsletters and a website, and marketed by Changing Horses magazine and independent companies.

As noted above , the projects were to be distributed using several methods, including broadcasting the shows on various public television stations, marketing the DVDs using magazines, including Changing Horses magazine, and other independent companies. A website was also developed for Changing Horses which allows people to purchase the DVDs and other material related to the series.

Based on our review of available records, Dennis Brouse, of Gretna, Nebraska was the lead talent and primary producer of the projects. In addition, Chad Witter of Bettendorf, Iowa was the primary accountant and individual who corresponded with Mr. Wheeler concerning the use of in-kind expenditures and other questions regarding the Program.

By reviewing the projects' applications and contracts, we determined Mr. Brouse signed the applications for the first 2 projects. The remaining 3 project applications were signed by Mr. Witter “for Mr. Brouse.” In addition, Mr. Witter signed the contracts for all 5 projects “for Mr. Brouse.”

As previously stated, each project received separate expenditure and investment tax credit certificates from the Program. We reviewed the support provided by the Department and information provided by Changing Horses for each project. The information provided included detailed receipts, schedules and bank statements.

Table 6 compares the expenditure tax credit certificates issued by the Department to the allowable amount of expenditure tax credits we calculated based on our review of supporting documentation for the expenditures claimed. As illustrated by the **Table**, we determined a significant amount of the total expenditures reported were unqualified. The types of unqualified expenditures identified are discussed in detail in the paragraphs following the **Table**.

Table 6

	08-Film -001	08-Film -002	08-Film -020	08-Film -027	08-Film -032	Total
Total expenditures reported	\$ 3,911,212.00	2,389,157.00	2,296,646.00	3,809,150.00	6,134,557.00	18,540,722.00
Adjustments for unqualified expenditures:						
Payments to the producer and lead actors	-	-	-	-	-	-
Deferred payments	-	-	-	-	-	-
In-kind expenditures	(3,200,000.00)	(1,000,000.00)	(1,000,000.00)	(3,200,000.00)	(5,000,000.00)	(13,400,000.00)
No proof of payment	-	-	-	-	-	-
Not directly related to production	(198,000.00)	(370,418.00)	(211,000.00)	(308,712.00)	(689,456.00)	(1,777,586.00)
Out-of-state vendor/resident	(300,000.00)	(700,000.00)	(867,520.00)	-	(312,512.00)	(2,180,032.00)
Paid but unsupported expenditures	(114,286.95)	(235,843.53)	(218,126.00)	(299,741.00)	(132,589.00)	(1,000,586.48)
Subtotal unqualified expenditures	(3,812,286.95)	(2,306,261.53)	(2,296,646.00)	(3,808,453.00)	(6,134,557.00)	(18,358,204.48)
Allowable qualified expenditures	98,925.05	82,895.47	-	697.00	-	182,517.52
x Tax credit percentage	25%	25%	25%	25%	25%	25%
Allowable expenditure tax credits	\$ 24,731.26	20,723.87	-	174.25	-	45,629.38
Expenditure tax credit certificates issued by the Department	\$ -	-	574,161.50	1,904,575.00	1,533,639.00	4,012,375.50
Allowable expenditure tax credits	(24,731.26)	(20,723.87)	-	(174.25)	-	(45,629.38)
Excess/(shortage of) expenditure tax credit certificates issued	\$ (24,731.26)	(20,723.87)	574,161.50	1,904,400.75	1,533,639.00	3,966,746.12

We were unable to locate a Z report for the 5 projects. However, in the files provided by the Department, we located spreadsheets which included detailed expenditures claimed by Changing Horses for each of the 5 projects. The amount of expenditures used by Mr. Wheeler to calculate the tax credits agreed with the expenditure listings located in the files.

As illustrated by **Table 6**, we identified unqualified expenditures totaling \$18,358,204.48 for the 5 projects. This is 94.7% of the total expenditures reported by Changing Horses as qualified expenditures for the expenditure tax credits. **Exhibit B** contains a detailed list of expenditures we determined to be unqualified for each Changing Horses project. The unqualified expenditures are discussed in the following paragraphs.

- In-kind expenditures - Substantial in-kind expenditures were claimed for each project. As previously stated, in-kind expenditures do not involve any form of payment. Rather, they are agreements with various companies for the exchange of services. For the 5 projects, the agreements were for the exchange of promotional services between the vendor and Changing Horses. The in-kind expenditures are unallowable in the tax credit calculation.

We identified an e-mail thread between Mr. Wheeler, Jim McNulty (Department of Revenue) and Mr. Witter, who worked as the accountant and tax credit broker for the Changing Horses projects. In the e-mail, Mr. Wheeler requested Mr. McNulty's opinion on whether in-kind contributions qualified for an expenditure tax credit. In the e-mail, a scenario was presented in which a company offered \$1 million in promotional services in exchange for

\$1 million of sponsorship. In his response, Mr. McNulty stated “it is my view that these would qualify for the film expenditure credit”. The e-mail thread is included in **Appendix 8**.

The \$13,400,000.00 of in-kind expenditures claimed by Changing Horses is 73% of the total unqualified expenditures of \$18,358,204.48. Because Mr. Wheeler allowed the in-kind expenditures, the Department issued an expenditure tax credit certificate which was \$3,350,000.00 greater than what should have been issued. This represents 83.5% of the total expenditure tax credit certificates issued for the 5 projects.

We contacted 4 of the 9 vendors for which Changing Horses claimed in-kind expenditures. Our discussions with representatives of the companies included the amount claimed by Changing Horses, whether the amount was reasonable and whether the companies could provide detail on how the amount claimed was calculated. The following is a brief synopsis of our discussions with the companies.

- Featherlite Inc. is a Minnesota-based company with offices in Iowa. In total, Changing Horses claimed \$3,450,000.00 of in-kind expenditures for Featherlite on 3 of the projects.

We contacted John Hall, Director of Corporate Communications for Featherlite, and asked if the company had support for the amounts claimed by Changing Horses. According to Mr. Hall and a member of his staff, they worked with Mr. Witter to develop the agreement. The original draft provided by Mr. Witter included a value of \$1,000,000.00 for the sponsorship. Featherlite asked for the value to be removed from the agreement. Mr. Hall stated it was his company’s position not to assign values to these types of contracts. The final agreement and all subsequent agreements signed by Featherlite did not include a value. According to Mr. Hall, the main benefit of these contracts is to provide exposure for Featherlite and generate sales leads. The Company does not calculate a value for these agreements because it is difficult to measure the sales leads generated. The letter from Mr. Hall is included in **Appendix 9**.

Based on the information provided to us by Featherlite, Changing Horses would have no basis for which to assign a value to this contract. As a result, Changing Horses should not have claimed the in-kind expenditures.

- American Quarter Horse Association (AQHA) is a Texas-based company for which Changing Horses claimed a total of \$1,250,000.00 of in-kind expenditures. The agreement provided by Changing Horses included an appendix showing the value was \$2,500,000.00. The agreement was not signed by either party. We contacted Chad Pierce, Legal Counsel for AQHA, to discuss the agreement.

According to Mr. Pierce, AQHA considered entering into an agreement with Changing Horses, but after review they decided not to enter into an agreement with Changing Horses or Mr. Witter. According to Mr. Pierce, no contract or agreement was established between AQHA and Changing Horses. He also stated he was unaware Changing Horses claimed \$2,500,000.00 for in-kind expenditures from AQHA. To his knowledge, AQHA did not provide any services to Changing Horses. An e-mail from a representative of AQHA is included in **Appendix 9**.

Based on the information obtained from AQHA, Changing Horses would have no basis for assigning a value to in-kind expenditures for AQHA. As a result, Changing Horses should not have claimed the in-kind expenditures.

- Cargill, Inc. is a Minnesota-based company with offices in Iowa, for which Changing Horses claimed \$1,250,000.00 of in-kind expenditures. The agreement provided by

Changing Horses included an appendix showing a value of \$1,250,000.00 was claimed. The agreement was not signed by either party. We contacted Jen Henderson, Legal Counsel for Cargill Inc., to discuss the agreement.

According to Ms. Henderson, Cargill did not enter into any agreements with Changing Horses or Mr. Witter. Ms. Henderson also stated the agreement provided to her was different than the draft agreement they originally reviewed. Ms. Henderson was not aware of how a value could be assigned to the agreement since no agreement was ever entered into. According to Ms. Henderson, Cargill did not provide any services to Changing Horses. We have included an e-mail from a representative of Cargill to the Attorney General's Office in **Appendix 9**.

Based on the information obtained from Cargill, Changing Horses would have no basis for assigning a value to in-kind expenditures for Cargill. As a result, Changing Horses should not have claimed the in-kind expenditures.

- o Kent Feeds, Inc. (Kent Feeds) is an Iowa-based corporation for which Changing Horses claimed \$2,250,000.00 of in-kind expenditures. Of this amount, \$1,000,000.00 and \$1,250,000.00 were claimed for projects 08-020 and 08-027, respectively. The agreements provided by Changing Horses were signed by Kent Feeds but did not include a value for the services provided.

According to a Kent Feeds representative we spoke with, Mr. Witter initially approached the company to determine if they were interested in purchasing tax credit certificates. When Kent Feeds declined, they were asked if they would be interested in sponsoring a project for Changing Horses. Kent Feeds agreed and a contract was prepared and presented to the company which included a value of \$1,000,000.00 for the sponsorship.

According to the Kent Feeds representative, they declined to sign the contract for the first project which included the \$1,000,000.00 value. The representative stated he told Mr. Witter the amount was grossly overvalued and they would not sign the contract. After the value was removed, Kent Feeds signed a contract which did not include a value for the sponsorship.

Kent Feeds also agreed to sponsor a second Changing Horses project. The contract for the second project did not include a value of the sponsorship. However, the contract was signed by a Kent Feeds representative.

The sponsorship for Changing Horses included a 15 second advertisement included in the introduction of certain episodes and training videos, a link to Kent Feeds' website from Changing Horses' website and promotion of Kent Feeds in Changing Horses' newsletter. Kent Feeds was to provide a link to Changing Horses' website from Kent Feeds' website, a quarterly "blast" e-mail distribution to Kent Feeds' equine distribution list, mentions of sponsorship in certain regional and national advertisements and distribution of materials to Kent Feeds' dealers.

When asked what the value of the sponsorships may have been, the Kent Feeds representative stated they recently completed a 2-year, nationwide campaign with a nationally known celebrity which included television spots, personal appearances and other endorsements. Kent Feeds estimated the value of the campaign totaled between \$20,000.00 and \$50,000.00. The representative indicated this campaign was more valuable than the sponsorship provided to Changing Horses.

On April 23, 2009, Mr. Witter e-mailed Mr. Wheeler and stated the Featherlite and Kent Feeds contracts had been signed and the Cargill and AQHA contracts were being

negotiated. Mr. Wheeler responded on April 23, 2009, noting the “Kent and Featherlite agreements do not indicate a market value like the two unsigned agreements.” On April 24, 2009, Mr. Witter responded, via e-mail, Kent Feeds and Featherlite requested the value be removed. As previously stated, the AQHA and Cargill contracts were never signed. Because Mr. Wheeler was aware the AQHA and Cargill contracts were unsigned and the Kent Feeds and Featherlite agreements did not include a value, he should not have issued a tax credit certificate for the in-kind expenditures claimed by Changing Horses.

- Not directly related to production – We identified \$1,777,586.00 of expenditures claimed by Changing Horses which were not directly related to production of the projects. This amount included \$695,000.00 paid to shell companies for advertising. The \$1,777,586.00 also includes a \$500,000.00 transfer made to fund a future project.

By reviewing the information provided by Mr. Witter, we identified a \$500,000.00 transfer to another on-going project from project 08-Film-032. The explanation provided on the support was “pre-production costs.” The date recorded on the spreadsheet provided by Mr. Witter shows the funds were transferred on April 15, 2009. Because it was the last transaction posted for project 08-Film-032, it is not reasonable the cost would be for pre-production costs. Using the bank statements provided by Mr. Witter, we determined the \$500,000.00 was transferred to help fund a new project. As of the date of this report, Changing Horses had not submitted a claim for any tax credits for the new project.

- Out-of-state vendor/resident – We identified \$2,180,032.00 of expenditures claimed by Changing Horses which were paid to vendors/residents outside of Iowa. Of this amount, \$1,867,520.00 was paid to companies which were located outside of Iowa. Each of the out-of-state companies submitted papers to the Secretary of State to incorporate in Iowa. As previously stated, the Department provided guidance which only required a company be incorporated in Iowa in order to have any payments made to the company qualify for an expenditure tax credit. However, the companies identified were not managed and directed in Iowa. The companies used a business address for the company office, which was the same as the accounting or legal firm’s address which helped file the paperwork with the Secretary of State.
- Paid but unsupported expenditures – We determined \$1,000,586.48 of the expenditures claimed were paid to Iowa vendors or residents based on a search of the web and a location listed in the spreadsheets provided to Mr. Wheeler. However, the expenditures were not properly supported. The only information provided by Changing Horses was copies of checks payable to the vendor or resident. Other documentation, such as invoices, receipts or contracts, was not provided. Of this amount, \$383,640.05 was paid to Witter Consulting Group. According to Mr. Witter, he did not have a written agreement with Mr. Brouse for the services he provided.

Table 6 also illustrates the Department did not issue expenditure tax credit certificates for project 08-Film-001 and 08-Film-002. We determined the Department incorrectly issued the expenditure tax credit certificates as investment tax credit certificates. In addition, Mr. Wheeler incorrectly used 50% of the total expenditures to calculate the investment tax credit for these projects.

We found no evidence in the records provided by the Department which document Mr. Wheeler performed a detailed review of the expenditures, their allowability or determined the payments were made to an Iowa based business or Iowa resident. As stated previously, Mr. Wheeler only performed “spot audits” of the expenditures.

During our review of the expenditure listings provided by Changing Horses to the Department, we identified the purchase of 3 vehicles. Although the purchase of vehicles is allowed by the Program, we do not believe the vehicles were necessary and reasonable for the production when rental vehicles were readily available from several area rental companies. Mr. Brouse could have

rented vehicles for use during the production to transport himself and the horses to various locations. In addition, we could not locate support for the purchase of the vehicles in the documentation provided. Since there was no support, we included the amount in the unsupported expenditures and excluded the amount from the tax credit calculation. According to information provided to the Attorney General's Office, the vehicles are currently being used by Mr. Brouse and his family members.

Changing Horses purchased a truck for \$40,518.00 for project 08-Film-001 on July 12, 2008. The last expenditure claimed for this project was dated July 28, 2008. Based on these dates, the truck would have been used for only 14 days during production to transport Mr. Brouse and the horses. If Changing Horses had rented a truck, total costs would have been \$818.27 based on the rate from Enterprise Rent-a-Car, effective June 16, 2010, and the related tax credit would have been \$204.57. Because Changing Horses claimed the total purchase price of \$40,518.00, it received a tax credit of \$10,129.50 for the purchase of the truck.

We also identified payments to Mr. Witter for each project for which support for goods or services provided was not available. Prior to Mr. Witter obtaining legal counsel, we asked what the charges were for and he stated "it was for his services to the project." He also stated there was no written agreement with Mr. Brouse regarding the services to be provided. Based on our review of information available, Mr. Witter provided accounting services, issued payments, worked with Mr. Wheeler on questions regarding in-kind expenditures and investments. Mr. Witter also brokered the tax credit certificates received for Changing Horses and the investors. As previously stated, Mr. Witter also signed all the contracts on behalf of Mr. Brouse.

In reviewing the information provided by Mr. Witter, we identified changes between the information submitted as qualified expenditures to Mr. Wheeler and the final report. The changes are as follows:

- In-kind expenditures – In the final report submitted, Meredith Corporation and Farnam Companies Inc. were substituted for Cargill and AQHA. The amount claimed as in-kind expenditures remained at \$1,250,000.00 per company.

We contacted both Meredith Corporation and Farnam Companies. We did not receive a response from Meredith Corporation. Farnam Companies officials submitted a written response in which they acknowledge being contacted by Cowboy Promotions Inc. (CPI) to discuss sponsoring Changing Horses. They further stated the original agreement included a value of \$1,250,000.00 for each party. However the dollar amount was removed during negotiations and prior to signing the contract. They further stated "It would be inaccurate for CPI, or any of its successors, associates, agents or representatives, to state CPI at any time had a signed contract with Farnam that contained a stipulated \$1,250,000.00 valuation."

- Glass Onion Productions – The amount claimed by Changing Horses as qualified expenditures on the final report increased from \$75,000.00 to \$205,000.00.
- Happy Horse Productions – Happy Horse Productions was removed and Cowboy Promotions Inc. was included on the final report. The amount claimed for Cowboy Promotions Inc. was \$1,100,000.00. The original amount claimed for Happy Horse Productions Inc. was \$500,000.00. Both Cowboy Promotions Inc. and Happy Horse Productions Inc. indicate the contact person is Tom Whitmore, who is an attorney from Omaha, Nebraska.

The Department did not issue any additional tax credit certificates based on the final report since the tax credit certificates had already been issued. We could not locate any support explaining why the changes were made. The agreements between Changing Horses, Cargill and AQHA were not signed by the companies or Changing Horses.

In addition to the expenditure tax credit certificates, the Department also issued investment tax credit certificates for the Changing Horses projects. **Table 7** compares Mr. Wheeler's calculation to the allowable amount in accordance with the *Code of Iowa* and guidance provide by the Department dated December 22, 2009.

Table 7

Description	08-Film -001	08-Film -002	08-Film -020	08-Film -027	08-Film -032	Total
Total investment	\$ 3,911,212.00	2,389,157.00	2,296,646.00	3,809,150.00	6,134,557.00	\$ 18,540,722.00
Adjustment for qualified expenditures^	(98,925.05)	(82,895.47)	-	(697.00)	-	(182,517.52)
Adjusted investment	3,812,286.95	2,306,261.53	2,296,646.00	3,808,453.00	6,134,557.00	18,358,204.48
Less:						
Deferred payments	-	-	-	-	-	-
In-kind investments	(3,200,000.00)	(1,000,000.00)	(1,000,000.00)	(3,200,000.00)	(5,000,000.00)	(13,400,000.00)
No proof of payment	-	-	-	-	-	-
Not directly related to production	(78,000.00)	(213,549.00)	(46,000.00)	(72,000.00)	(609,120.00)	(1,018,669.00)
Allowable investment	534,286.95	1,092,712.53	1,250,646.00	536,453.00	525,437.00	3,939,535.48
x Tax credit percentage	25%	25%	25%	25%	25%	25%
Calculated investment tax credits	\$ 133,571.74	273,178.13	312,661.50	134,113.25	131,359.25	984,883.87
Investment tax credit certificates issued by the Department	\$ 1,955,606.50	1,194,578.50	574,161.50	-	1,533,639.00	5,257,985.50
Allowable investment tax credits*	(24,731.26)	(20,723.87)	-	(174.25)	-	(45,629.38)
Excess/(shortage of) investment tax credit certificates issued	\$ 1,930,875.24	1,173,854.63	574,161.50	(174.25)	1,533,639.00	5,212,356.13

^- Claimed for expenditure tax credit by the production company.

* - Investment tax credits are limited to 25% of the project's qualified expenditures. See **Table 6**.

The Department issued a total of \$5,257,985.50 of investment tax credit certificates for the films included in **Table 7**. Mr. Wheeler calculated the amount of the investment tax credits using the total expenditures for each project. As previously stated, the investment tax credit is to be based on the total investment in the project less an adjustment for the qualified expenditures used to calculate the expenditure tax credit. We did not find any support showing Mr. Wheeler attempted to determine the actual investment in each project.

In addition to the adjustment for the qualified expenditures, we adjusted the allowable investment for the following items:

- In-kind expenditures - In-kind investments are an allowable form of investment only if the investor receives an equity investment in the project rather than goods or services. In the case of the 5 Changing Horses projects, the companies received sponsorships (advertising) in exchange for their goods and services. As a result, we excluded the amount of in-kind investments from the calculation of the allowable investment tax credits.
- Not related to production - The expenditures not related to production which were also not considered allowable for the calculation of investment tax credits includes the \$500,000.00

transfer from 1 project to another, \$160,349.00 of financing charges and \$358,320.00 of commissions for the sale of tax credit certificates.

During our review of the documentation from Mr. Witter, we located a memo from Mr. Witter regarding how the various Changing Horses projects were to be funded. The memo documents the first project would be funded by investments from outside sources and the remaining projects would be funded using the proceeds from the sale of the previous projects' tax credit certificates. A copy of this memo is included in **Appendix 10**. Mr. Witter had obtained legal counsel by the time we located the memo, so we were unable to discuss it with him.

Based on the memo, there was only an investment in the initial project. All other projects were funded using the proceeds from the sale of tax credit certificates issued for the previous film(s). The requirements of the Program do not specify if the reinvestment of the funds received from the sale of the tax credit certificates is an allowable investment in future projects. Because the *Code of Iowa* does not address this issue, we allowed the proceeds to be considered an investment in future projects.

Table 8 summarizes the tax credit certificates issued by the Department for the projects.

Table 8

Description	08-Film -001	08-Film -002	08-Film -020	08-Film -027	08-Film -032	Total
Tax credit certificates issued by the Department:						
Expenditure	\$ -	-	574,161.50	1,904,575.00	1,533,639.00	4,012,375.50
Investment	1,955,606.50	1,194,578.50	574,161.50	-	1,533,639.00	5,257,985.50
Total	1,955,606.50	1,194,578.50	1,148,323.00	1,904,575.00	3,067,278.00	9,270,361.00
Less allowable tax credits:						
Expenditure	(24,731.26)	(20,723.87)	-	(174.25)	-	(45,629.38)
Investment	(24,731.26)	(20,723.87)	-	(174.25)	-	(45,629.38)
Excess tax credit certificates issued	\$ 1,906,143.98	1,153,130.76	1,148,323.00	1,904,226.50	3,067,278.00	9,179,102.24

As shown by the **Table**, the Department issued excess tax credit certificates totaling \$9,179,102.24 for the Changing Horse projects. As previously stated, the majority of the excess tax credits are a result of unqualified expenditures and the improper calculation of the investment tax credit certificates. Also as previously stated, Mr. Wheeler did not maintain adequate records to determine if the expenditures were allowable, nor did Mr. Wheeler maintain adequate records to support the amount of investment.

Because the Department and Mr. Wheeler did not perform a detailed review of the expenditures, verify the investment(s) made in the projects or follow the Program's rules when calculating the expenditure and investment tax credits, the Department issued \$9,179,102.24 more tax credit certificates than appropriate. Redemption of the excess tax credit certificates will result in the State collecting \$9,179,102.24 less in tax revenue.

We reviewed copies of expenditure and investment tax credit certificates for the projects which were available from the Department. Some of the copies did not include a signature of a Department representative and it appears some of the tax credit certificates were not originally issued to the production company. Instead, it appears the tax credit certificates were originally issued with the transferee information completed and were issued to parties to whom the production company sold the tax credit certificates prior to their issuance. None of the certificates which included transferee information included the required signature for the transfer of the tax credit certificates.

Splatter

Iowa Film Production Services (Iowa Film) submitted an application for the film *Splatter* on March 11, 2009. According to the application, *Splatter* is a feature length film about “A father who is down on his luck and must try and defeat a slick real estate agent in the South East Iowa World Paintball Championships.”

According to the application, Iowa Film estimated a total budget of \$5,917,000.00. Of this amount, an estimated \$5,817,000.00 was to be spent in Iowa. Production of the film was to occur between May 1, 2009 and June 14, 2009. Mr. Wheeler approved the application on March 11, 2009 and the final contract was signed on May 26, 2009.

During our review of documentation provided by the Department, we found 2 contracts for the film signed by Vincent Lintz, the Department’s former Deputy Director. Both contracts were signed by Iowa Film on May 21, 2009 and by the Mr. Lintz on May 26, 2009. We compared the 2 contracts and determined the Mr. Lintz’s signatures appeared to be different. Mr. Lintz’s signature appears to be more compact and the date signed is written differently. However, the language in the 2 contracts was identical. We could not locate any amendments to the contract. There was no support or information included in the documentation provide by the Department explaining why there were 2 contracts for the film and why the signatures were different. In addition, Department staff we spoke with could not provide any additional information.

We also compared the budget and production dates in the application to the budget listed in the contracts. The budget and production dates were the same in both the application and the signed contracts.

Iowa Film received an expenditure tax credit certificate of \$2,417,231.00. The Department based the calculation of the tax credits on total expenditures of \$9,668,924.01. **Table 9** compares the Department’s calculation to the allowable amount based on our review of expenditures.

		Table 9
Description		Amounts
Total expenditures reported by Iowa Film		\$ 9,668,924.01
Adjustments for unqualified expenditures:		
Payments to the producer and lead actors	\$ -	
Deferred payments	(6,318,118.39)	
In-kind expenditures	-	
No proof of payment	(1,309,095.25)	
Not directly related to production	(173,343.20)	
Out-of-state vendor/resident	(17,681.24)	
Paid but unsupported expenditures	(50,585.64)	
Subtotal unqualified expenditures		(7,868,823.72)
Allowable qualified expenditures		1,800,100.29
x Tax credit percentage		25%
Allowable expenditure tax credits		\$ 450,025.07
Expenditure tax credit certificates issued by the Department (\$9,668,924.01 x 25%)		\$ 2,417,231.00
Allowable expenditure tax credits		(450,025.07)
Excess expenditure tax credit certificates issued		\$ 1,967,205.93

We were unable to locate a Z report for *Splatter*. As stated previously, the terms of the contract require the Z report to be submitted. However, we located an expenditure listing included in the files provided by the Department. The total included on the listing agreed with the amount used by Mr. Wheeler to calculate the expenditure tax credits. We used this listing to test the expenditures.

A representative of Iowa Film allowed us to photocopy all the records related to the expenditures for the film. Using the detail and support copied from the production company, we evaluated the expenditures to determine if they qualified for the expenditure tax credits. We examined invoices, credit memos and other support obtained from the production company. As a result of our review, we identified expenditures which did not comply with requirements established by section 261-36.7(2) of the Department's administrative rules, including payments to shell companies, deferred payments and payments to out-of-state businesses and non-residents. We also identified payments which did not directly relate to production of the project.

As illustrated by **Table 9**, we identified unqualified expenditures totaling \$7,868,823.72. This is 81.4% of the total expenditures Iowa Film reported as qualified for the expenditure tax credits. **Exhibit C** is a detailed listing of the unqualified expenditures we identified. The unqualified expenditures are discussed in the following paragraphs:

- Deferred payments – We determined \$6,318,118.39 of expenditures claimed were to be paid to individuals for services provided during production. However, the amount had not been paid. Of the total deferred payments, \$348,581.00 was claimed by Progressive Indirect Productions (a shell company). According to the “deal memos” reviewed, payment was contingent on the film being sold for \$9 million. Deal memos are contracts signed by an individual and Iowa Film stating the terms by which the individual will be paid. Example “deal memos” are included in **Appendix 3**. As of the date of our report, the film has not been sold and there is no evidence the payments have been made. Therefore, the amount claimed does not qualify for the expenditure tax credits.
- No proof of payment – We were unable to determine if \$1,309,995.25 of the expenditures claimed had been paid. We could not locate any copies of checks issued by Iowa Film in the information provided to us by Iowa Film. This amount includes \$331,650.00 to Erin Heppner-Elgin, Mr. Heppner-Elgin's wife, \$252,000.00 to Grasshorse Technologies, \$113,273.00 to KLDP Inc. for meals and \$269,631.16 to Progressive Indirect Productions.
- Not directly related to production – We determined \$173,343.20 of the expenditures claimed were not directly related to production of the film, including \$173,075.10 paid to Mr. Witter as a commission for the sale of tax credit certificates.
- Out-of-state vendor/resident – We determined \$17,681.24 of the expenditures claimed were paid to out-of-state vendors through Progressive Indirect Productions. Progressive Indirect Productions is owned by the owners of Iowa Film. As previously stated, the Department allowed production companies to create shell companies in Iowa. Any payments to these companies were considered qualified by Mr. Wheeler regardless of where the company was located. However, this does not comply with the guidance provided by the Department.
- Paid but unsupported expenditures – We determined \$50,585.64 of expenditures claimed were paid to an Iowa business or Iowa resident. However, this amount was excluded from our expenditure tax credit calculation because the expenditures were not properly supported. The documentation provided by Iowa Film did not include support to show what the expenditure was for or how it related to the production of the film. The only information provided were copies of checks made payable to the vendor or resident. Of the total unsupported payments, \$789.10 was to the Progressive Indirect Productions.

We found no evidence in the records provided by the Department documenting Mr. Wheeler performed any detailed review of the expenditures in order to determine if the expenditures

qualified for the Program and were paid to an Iowa based business or Iowa resident. As stated previously, Mr. Wheeler stated he only performed “spot audits” of the expenditures.

Investors received investment tax credit certificates totaling \$2,417,231.00 for the project. The investment tax credit certificates were issued to Iowa Film Investors. According to discussions with the owners of Iowa Film, the entity which financed the film was also owned by them. We requested support from Iowa Film Investors for the amount invested in the project. Iowa Film did not provide any support for the amount invested. We also could not locate any investment information in the files provided by the Department. The Department calculated the amount of the investment tax credits using total expenditures of \$9,668,924.01 reported by Iowa Film.

In accordance with Iowa administrative rules, the basis for the investment tax credit calculation was to be the amount of investment adjusted for qualified expenditures. Because we did not receive any support for the investment, we used the total expenditures reported by Iowa Film as the beginning investment. **Table 10** compares the Department’s calculation to the allowable amount based on the administrative rules.

		Table 10
Description		Amounts
Total investments		\$ 9,668,924.01
Adjustment for qualified expenditures from Table 9		(1,800,100.29)
Adjusted investment		7,868,823.72
Less:		
Deferred payments	\$ (6,318,118.39)	
In-kind investments	-	
No proof of payment	(1,309,995.25)	
Not directly related to production	(173,075.10)	
Subtotal unqualified		(7,801,188.74)
Allowable investment		67,634.98
x Tax credit percentage		25%
Allowable investment tax credits		\$ 16,908.74
Investment tax credit certificates issued by the Department (\$9,668,924.01 x 25%)		\$ 2,417,231.00
Allowable investment tax credits		(16,908.74)
Excess investment tax credit certificates issued		\$ 2,400,322.26

As illustrated by the **Table**, we adjusted the allowable investment for the following items:

- Deferred payments – As previously stated, the amount shown as deferred payments was based on “deal memos” where individuals were promised payment of an amount contingent on the sale of the film for a specific amount. Because these payments were not made, we excluded the deferred payments from the calculation of the allowable investment tax credits.
- No proof of payment – As previously stated, we requested proof of payment for expenditures claimed by the production company. However, sufficient documentation was not provided for the project. Because we were unable to verify the payments had been made, we excluded these amounts from the calculation of the allowable investment tax credits.

- Not related to production – The expenditures not related to production which were also not considered allowable for the calculation of investment tax credits include commissions for the sale of tax credit certificates.

Table 11 compares the total tax credit certificates issued by the Department to the allowable tax credits. The variance represents the excess tax credit certificates issued for *Splatter*.

Description	Tax Credit Certificates Issued by the Department	Allowable Tax Credits	Excess Tax Credit Certificates Issued
Expenditure	\$ 2,417,231.00	450,025.07	1,967,205.93
Investment	2,417,231.00	16,908.74	2,400,322.26
Total	\$ 4,834,462.00	466,933.81	4,367,528.19

The total tax credit certificates issued by the Department are 50% of the expenditures claimed by the production company (\$9,668,924.01 x 50%). This is consistent with Mr. Wheeler's and the Department's position of promoting the Program as "half-off film making". However, as previously stated, the expenditure tax credits are limited to 25% of the qualified expenditures and the investment tax credits are limited to 25% of the investment, less an adjustment for qualified expenditures.

Because the Department and Mr. Wheeler did not perform a detailed review of the expenditures, verify the investment(s) made in the project or follow the Program rules when calculating the tax credits, the Department issued tax credit certificates which were \$4,367,528.19 more than appropriate. Redemption of the excess tax credit certificates will result in the State collecting \$4,367,528.19 less in tax revenue.

We reviewed copies of expenditure and investment tax credit certificates for *Splatter* which were available from the Department. The copies did not include a signature of a Department representative.

The Offering

Iowa Film Production Services (Iowa Film) submitted an application for the film *The Offering* on November 11, 2008. According to the application, *The Offering* is a feature length film about "A small town Sheriff who, in order to protect the townspeople she loves, has to decide which of them she'll pick, one by one, to give to a serial killer that has just moved to town."

According to the application, Iowa Film estimated a total budget of \$1,497,000.00. Of this amount, an estimated \$1,397,000.00 was to be spent in Iowa. Production of the film was to occur between January 16, 2009 and March 1, 2009. The Department approved the application on November 13, 2008, 2 days after it was submitted. The final contract was signed on December 17, 2008.

During our review of documentation provided by the Department, we found 2 contracts for the film signed by Vincent Lintz, the Department's former Deputy Director. We compared the 2 contracts and determined Mr. Lintz's signatures appeared to be different while the language in the 2 contracts was identical. We could not locate any amendments to the contract. There was no support or information included in the documentation provided by the Department explaining why there were 2 contracts for the film and why the signatures were different. In addition, Department staff we spoke with could not provide any additional information explaining why there were multiple contracts.

We also compared the budget in the application to the budget listed in the contracts and determined the budget amount increased from \$1,497,000.00 to \$1,602,000.00 and the amount to be spent in Iowa increased from \$1,397,000.00 to \$1,552,000.00. The production dates for the project did not change. As previously stated, the use of the budgeted amounts in the application and contract was acceptable but the tax credits were to be calculated based on actual expenditures. It appears Mr. Wheeler believed an increase in the budget was beneficial to both the State, due to an increase in payments to Iowa businesses and residents, and to the production company, due to increased tax credits. Because expenditure tax credits are based on expenditures made in Iowa, Iowa Film benefits from increasing the amount spent in Iowa.

Iowa Film received an expenditure tax credit certificate of \$796,701.66. The Department calculated the amount of the expenditure tax credits on total expenditures of \$3,186,806.64, which is nearly twice the amount budgeted. **Table 12** compares the Department's calculation to the allowable amount based on our review of the actual expenditures claimed by Iowa Film.

Table 12

Description		Amounts
Total expenditures reported by Iowa Film		\$ 3,186,806.64
Adjustments for unqualified expenditures:		
Payments to the producer and lead actors	\$	-
Deferred payments	(2,447,997.00)	
In-kind expenditures		-
No proof of payment	(133,425.73)	
Not directly related to production	(58,401.00)	
Out-of-state vendor/resident		-
Paid but unsupported expenditures	(29,377.27)	
Subtotal unqualified expenditures		(2,669,201.00)
Allowable qualified expenditures		517,605.64
x Tax credit percentage		25%
Allowable expenditure tax credits		\$ 129,401.41
Expenditure tax credit certificates issued by the Department (\$3,186,806.64 x 25%)		\$ 796,701.66
Allowable expenditure tax credits		(129,401.41)
Excess expenditure tax credit certificates issued		\$ 667,300.25

A Z report was required to be submitted to the Department by Iowa Film listing qualified expenditures incurred for the film. We were unable to locate a Z report for *The Offering*. However, we located 2 draft expenditure listings in the files we obtained from the Department. Neither listing agreed with the \$3,186,806.64 amount used by the Department to calculate the expenditure tax credits. Of the 2 listings submitted by Iowa Film, 1 totaled \$3,079,548.15 and the other totaled \$3,204,893.78. We were unable to determine why there was a variance between the amount used by the Department and the listings submitted by Iowa Film. According to the electronic files provided by the Department, both were dated February 24, 2009. We tested the 2nd listing dated February 24, 2009 because it included "draft 2" in the file name.

A representative of Iowa Film allowed us to photocopy all the records related to the expenditures for the film. Using the detail and support copied from the production company, we evaluated each expenditure to determine if it qualified for the expenditure tax credit. To test the expenditures, we examined invoices, credit memos and other support obtained from the production company. As a

result of our testing, we identified expenditures which did not comply with the requirements established by section 261-36.7(2) of the Department's administrative rules, including payments to shell companies, deferred payments and payments to out-of-state businesses and non-residents. We also identified payments which did not relate directly to production of the project.

As illustrated by **Table 12**, we identified \$2,669,201.00 of unqualified expenditures, which is 82.8% of the total expenditures reported as qualified for the expenditure tax credits. **Exhibit D** provides a detailed listing of the unqualified expenditures, including the basis for determining the expenditures to be unqualified. The unqualified expenditures are discussed in the following paragraphs.

- Deferred payments – We determined \$2,447,997.00 of the expenditures claimed were to have been paid to individuals for services provided during production. However, the amounts claimed had not been paid. According to the “deal memos” reviewed, payment was contingent on the film being sold for \$3 million. Of this amount, \$13,200.00 was deferred by Progressive Indirect Productions (a shell company). Deal memos are contracts signed by an individual and Iowa Film stating the terms by which the individual will be paid. As of the date of our report, the film has not been sold and there is no evidence the payments have been made. Therefore, the amount claimed does not qualify for the expenditure tax credit. A copy of a “deal memo” is included in **Appendix 3**.
- No proof of payment – We were unable to determine if \$133,425.73 of the expenditures claimed had been paid. We could not locate any copies of checks issued by Iowa Film in the information provided to us by Iowa Film. This amount includes \$100,000.00 claimed to have been paid by Progressive Indirect Productions for clearances which are then paid to artists for the use of their music or other licensed products used in the film.
- Not directly related to production – We determined \$58,401.00 of the expenditures claimed did not directly relate to production of the film. This includes \$55,000.00 paid to Mr. Witter as a commission for the sale of the tax credit certificates and \$3,401.00 for legal fees.
- Paid but unsupported expenditures – We determined \$29,377.27 was paid to an Iowa vendor or resident. However, this amount was excluded from our tax credit calculation because the expenditures were not properly supported. The documentation provided by Iowa Film did not include support to show what the expenditure was for or how it directly related to production of the film. The only information provided by Iowa Film were copies of checks made payable to the vendor or resident.

We found no evidence in the records provided by the Department documenting Mr. Wheeler performed any detailed review of the expenditures in order to determine if the expenditures qualified for the Program and were paid to an Iowa based business or Iowa resident. As stated previously, Mr. Wheeler stated he only performed “spot audits” of the expenditures.

Investors received investment tax credit certificates of \$796,701.66 for the project. The investment tax credit certificates were issued to Iowa Film Investors. As previously stated, Iowa Film Investors is owned by the individuals who own Iowa Film Productions. We requested support from Iowa Film for the amount invested in the project. Iowa Film did not provide any support for the amount invested. We also could not locate any investment information in the files provided by the Department. The Department calculated the amount of the investment tax credits using the total expenditures of \$3,186,806.64 reported by Iowa Film.

In accordance with Iowa administrative rules, the basis for the tax credit calculation was to be the amount of investment adjusted for the qualified expenditures. Because we did not receive any support for the investment, we used the total expenditures reported by Iowa Film. **Table 13** compares the Department's calculation to the allowable amount based on the administrative rules.

Table 13

Description		Amounts
Total investment		\$ 3,186,806.64
Adjustment for qualified expenditures from Table 12		(517,605.64)
Adjusted investment		2,669,201.00
Less:		
Deferred payments	\$ (2,447,997.00)	
In-kind investments	-	
No proof of payment	(133,425.73)	
Not directly related to production	(55,000.00)	
Subtotal unqualified		(2,636,422.73)
Allowable investment		32,778.27
X Tax credit percentage		25%
Allowable investment tax credits		\$ 8,194.57
Investment tax credit certificates issued by the Department (\$3,186,806.64 x 25%)		\$ 796,701.66
Allowable investment tax credits		(8,194.57)
Excess investment tax credit certificates issued		\$ 788,507.09

As illustrated by the **Table**, we also adjusted the allowable investment for the following item:

- Deferred payments – As previously stated, the amount shown as deferred payments was based on “deal memos” where individuals were promised payment of an amount contingent on the sale of the film for a specific amount. Because these payments were not made, we excluded the deferred payments from the calculation of the allowable investment tax credits.
- No proof of payment – As previously stated, we requested proof of payment for expenditures claimed by the production company. However, sufficient documentation was not provided for the project. Because we were unable to verify the payments had been made, we excluded these amounts from the calculation of the investment tax credit certificates which should have been issued.
- Not related to production – The expenditures not related to production which were also not considered allowable for the calculation of investment tax credits include \$55,000.00 of commissions for the sale of tax credit certificates.

Table 14 compares the total tax credit certificates issued by the Department to the allowable tax credits. The variance represents the excess tax credits issued for *The Offering*.

Table 14

Description	Tax Credit Certificates Issued by the Department	Allowable Tax Credits	Excess Tax Credit Certificates Issued
Expenditure	\$ 796,701.66	129,401.41	667,300.25
Investment	796,701.66	8,194.57	788,507.09
Total	\$ 1,593,403.32	137,595.98	1,455,807.34

The total tax credit certificates issued by the Department are 50% of the expenditures claimed by the production company (\$3,186,806.94 x 50%). This is consistent with Mr. Wheeler's and the Department's position of promoting the Film Tax Credit Program as "half-off film making." However, as previously stated, the expenditure tax credits are limited to 25% of the qualified expenditures and the investment tax credits are limited to 25% of the investment, less an adjustment for qualified expenditures.

Because the Department and Mr. Wheeler did not perform a detailed review of the expenditures, verify the investment(s) made in the project or follow the Program rules when calculating the expenditure tax credits, the Department issued \$1,455,807.34 more tax credit certificates than appropriate. Redemption of the excess tax credit certificates issued and sold to third parties will result in the State collecting \$1,455,807.34 less in tax revenue.

We reviewed copies of the expenditure and investment tax credit certificates for *The Offering* which were available from the Department. Attached to each copy was a Post-it® note which stated "Not original document [sic]. Not for transfer." It appears the Post-it® notes were to prevent the use of copies of the tax credit certificates for transfer purposes.

Ticket Out

Ticket Out Productions LLC submitted an application for the film *Ticket Out* dated September 9, 2008. According to the application, *Ticket Out* is a feature length film about "A woman who takes her children to escape an abusive husband and eventually makes it to freedom in Canada."

The application for Ticket Out Productions included an estimated total budget of \$8,415,257.00, of which an estimated \$6,425,032.00 was to be spent in Iowa. Production of the film was to occur between December 8, 2008 and January 30, 2009. The Department approved the application on September 19, 2008. The final contract was signed on December 17, 2008.

The application approved on September 19, 2008 did not include the budget information. However, it was included in a revised application saved to the Department's computer system on October 2, 2008. The signature page attached to the contract was dated September 19, 2008. By reviewing the files provided by the Department, we determined the signature page was saved as a separate file. It appears the signature file was printed and attached to the application when the application was completed.

During our review of documentation provided by the Department, we found 2 contracts for the film signed by Mr. Lintz. We compared the 2 contracts and determined Mr. Lintz's signatures appeared to be different while the language in the 2 contracts was identical. We could not locate any amendments to the contract. There was no support or information included in the documentation provided by the Department explaining why there were 2 contracts for the film or why the signatures were different. In addition, Department staff we spoke with could not provide any additional information to explain why there were multiple contracts.

Ticket Out Productions received expenditure tax credit certificates of \$2,919,953.50. The Department calculated the amount of the tax credits on total expenditures of \$11,679,814.00. According to an e-mail from Mr. Wheeler to Ticket Out Productions, he used a report submitted by Ticket Out Productions dated April 21, 2009 and adjusted the total spent to date for some unqualified expenditures. A copy of the e-mail is included in **Appendix 11**. The report showed total expenditures of \$9,579,851.00 with outstanding purchase orders totaling \$2,421,863.00 for a total of \$12,001,714.00. Outstanding purchase orders are for goods and services to be provided to the film for which no payment had been made. As previously stated, the expenditure tax credits are to be calculated on payments made to Iowa vendors and residents. Because a payment had not been made for the outstanding purchase orders, the related expenditures should have been excluded from the expenditure tax credit calculation.

The adjustments made by Mr. Wheeler were for payments to the Director and another person. The adjustments totaled \$321,900.00. In accordance with requirements established by the *Code*

of Iowa, the payments were not qualified for an expenditure tax credit. By using the total adjusted expenditures, which include the outstanding purchase orders, Mr. Wheeler calculated the expenditure tax credits on amounts which had not yet been paid. As a result, he issued expenditure tax credit certificates which did not qualify under Program rules.

Ticket Out Productions also submitted several boxes of information to the Department, which included copies of checks and invoices for the film. The unopened boxes were located in a storage room at the Department. Based on the tracking numbers on the box's FedEx® label, the boxes were delivered to the Department on April 30, 2009. We located the boxes in early March 2010. Because we were unable to locate a detailed listing of expenditures, we reviewed all the support included in the boxes and identified unqualified expenditures.

Table 15 compares the Department's calculation to the allowable amount based on our review of the actual expenditures claimed by Ticket Out Productions.

		Table 15
Description		Amounts
Total expenditures reported		\$ 11,679,814.00
Adjustments for unqualified expenditures:		
Payments to the producer and lead actors	\$ -	-
Deferred payments		-
In-kind expenditures		-
No proof of payment		-
Not directly related to production	(21,889.00)	
Out-of-state vendor/resident	(4,222,940.02)	
Paid but unsupported expenditures	(240,044.71)	
Subtotal unqualified expenditures		(4,484,873.73)
Allowable qualified expenditures		7,194,940.27
x Tax credit percentage		25%
Allowable expenditure tax credits		\$ 1,798,735.07
Expenditure tax credit certificates issued by the Department (\$11,679,814.00 x 25%)		\$ 2,919,953.50
Allowable expenditure tax credits		(1,798,735.07)
Excess expenditure tax credit certificates issued		\$ 1,121,218.43

A Z report was required to be submitted to the Department by Ticket Out Productions listing qualified expenditures incurred for production of the film. We were unable to locate a Z report for *Ticket Out*. Using the boxes sent to the Department, we reviewed all the claims and support in the boxes and identified the unqualified expenditures summarized in **Table 15**. **Exhibit E** is a detailed listing of the unqualified expenditures, including the basis for determining the payments to be unqualified.

As illustrated by **Table 15**, we identified unqualified expenditures of \$4,484,873.73. This is 38.4% of the total expenditures reported by Ticket Out Productions for the expenditure tax credit. The unqualified expenditures are discussed in the following paragraphs.

- Not directly related to production – We determined \$21,889.00 of the expenditures claimed were not directly related to production of the film. The \$21,889.00 was for a purchase of a RAV4 from Toyota of Des Moines. According to Department staff, the vehicle was probably used to transport staff during production and it was subsequently kept by an individual for personal use. According to Department staff, this is how vehicles purchased by other production companies were used. We included the amount as unqualified based on the availability of rental vehicles in Des Moines which could have been used to transport staff.

- Out-of-state vendor/resident – We identified \$4,222,940.02 of expenditures which were paid to vendors located outside the State of Iowa and do not qualify for the expenditure tax credits. This amount included \$4,186,606.02 paid to Disparate Films, LLC., which is a shell company established by Ticket Out Productions. As previously stated, a shell company was an approved process by which the Department allowed expenditures to qualify for the expenditure tax credits regardless of who was paid. **Appendix 12** is a copy of an e-mail between Ticket Out Productions and Mr. Wheeler which discusses the use of a shell company and how expenditures would qualify by passing the expenditures through the shell company.

By reviewing documentation attached to the petty cash payment vouchers included in the records Ticket Out Productions submitted to the Department, we identified \$24,745.32 of petty cash payments to vendors located outside of Iowa which is also included in the \$4,222,940.02 total.

- Paid but unsupported expenditures – We determined \$240,044.71 of the expenditures were unqualified because they were not supported by appropriate documentation. Of the amount identified, \$149,680.59 was for airfare. We were unable to locate support for the airfare or information regarding the destinations. We also identified \$5,402.73 of petty cash payments which were not supported by any documentation.

We found no evidence in the records provided by the Department documenting Mr. Wheeler performed any detailed review of the expenditures to determine if the expenditures qualified for the Program. As stated previously, Mr. Wheeler stated he only performed “spot audits” of the expenditures.

An investment tax credit certificate of \$2,919,953.50 was issued for *Ticket Out*. The Department calculated the amount of the tax credit using total expenditures of \$11,679,814.00. In accordance with Iowa administrative rules, the basis for the investment tax credit calculation was to be the amount of investment adjusted for the qualified expenditures. We requested information from Ticket Out Productions to support the amount invested in the project. The information provided showed total investments of \$13,200,000.00. In accordance with the requirements established by the *Code of Iowa*, we limited the investment to the total expenditures reported by Ticket Out Productions. **Table 16** compares the Department’s calculation to the allowable amount based on the correct formula.

Table 16

Description		Amounts
Total investment		\$ 11,679,814.00
Adjustment for qualified expenditures from Table 15		(7,194,940.27)
Adjusted investment		4,484,873.73
Less:		
Deferred payments	\$ -	
In-kind investments	-	
No proof of payment	-	
Not directly related to production	-	
Subtotal unqualified		-
Allowable investment		4,484,873.73
x Tax credit percentage		25%
Allowable investment tax credits		\$ 1,121,218.43
Investment tax credit certificates issued by the Department (\$11,679,814 x 25%)		\$ 2,919,953.50
Allowable investment tax credits		(1,121,218.43)
Excess investment tax credit certificates issued		\$ 1,798,735.07

Table 17 compares the total tax credit certificates issued by the Department to the allowable tax credits. The variance represents the excess tax credit certificates issued for *Ticket Out*.

Table 17			
Description	Tax Credit Certificates Issued by the Department	Allowable Tax Credits	Excess Tax Credit Certificates Issued
Expenditure	\$ 2,919,953.50	1,798,735.07	1,121,218.43
Investment	2,919,953.50	1,121,218.43	1,798,735.07
Total	\$ 5,839,907.00	2,919,953.50	2,919,953.50

The total tax credit certificates issued by the Department are 50% of the expenditures claimed by the production company (\$11,679,814.00 x 50%). This is consistent with Mr. Wheeler's and the Department's position of promoting the Program as "half-off film making." However, as previously stated, the expenditure tax credits are limited to 25% of the qualified expenditures and the investment tax credits are limited to 25% of the investment, less an adjustment for qualified expenditures.

Because the Department and Mr. Wheeler did not perform a detailed review of the expenditures, verify the investment(s) made in the project or follow the Program rules when calculating the expenditure tax credits, the Department issued \$2,919,953.50 more tax credit certificates than appropriate. Redemption of the tax credit certificates will result in the State collecting \$2,919,953.50 less in tax revenue.

Peacock

Cornfield Productions submitted an application for the film *Peacock*. The application for *Peacock* describes the production as a feature length film "Set in a small town, a man with a split personality fools the town into believing that his two alter-egos are man and wife. A battle is sparked between the dueling personalities by a struggling young mother in the town."

According to the application, Cornfield Productions estimated the total budget to be \$9.5 million, of which an estimated \$6.5 million was to be spent in Iowa. Production of the film was to occur between May 6, 2008 and June 19, 2008. The Department signed the application on May 16, 2008. According to a letter signed by Mr. Wheeler, the application was approved on March 7, 2008, approximately 2 months prior to when the application was signed by Mr. Wheeler. We were unable to determine when the application was originally submitted because it was not dated by the production company. The final contract was signed by Cornfield Productions on May 6, 2008 and by Mr. Lintz on May 16, 2008. Based on these dates, the contract was signed by Cornfield Promotions before the application was approved and signed by Mr. Wheeler.

Cornfield Productions received expenditure tax credit certificates of \$3,209,390.06 for *Peacock*. The Department calculated the amount of the tax credits based on 50% of the \$6,418,780.12 total expenditures reported for the project. After reviewing the support provided by the Department, we could not locate any support for the expenditures used by the Department. However, we located a spreadsheet which listed expenditures totaling \$6,431,717.77. By reviewing the spreadsheet, we determined the \$6,431,717.77 of total expenditures included both individual amounts and several subtotals in the grand total. After removing the subtotals, the expenditures totaled \$6,262,572.17. This is the amount we used to recalculate the allowable expenditure tax credits.

Table 18 compares the Department's calculation to the allowable amount based on our review of the actual expenditures claimed by Cornfield Productions.

Table 18

Description	Amounts
Total expenditures reported	\$ 6,262,572.17
Adjustments for unqualified expenditures:	
Payments to the producer and lead actors	\$ -
Deferred payments	-
In-kind expenditures	-
No proof of payment	(148,099.08)
Not directly related to production	-
Out-of-state vendor/resident	(835,879.31)
Paid but unsupported expenditures	(3,625,236.82)
Subtotal unqualified expenditures	(4,609,215.21)
Allowable qualified expenditures	1,653,356.96
x Tax credit percentage	25%
Allowable expenditure tax credits	\$ 413,339.24
Expenditure tax credit certificates issued by the Department (\$6,418,780.12 x 50%)	\$ 3,209,390.06
Allowable expenditure tax credits	(413,339.24)
Excess expenditure tax credit certificates issued	\$ 2,796,050.82

A Z report was required to be submitted to the Department by Cornfield Productions listing qualified expenditures incurred for the film. However, we were unable to locate a Z report for *Peacock*. As a result, we requested and subsequently received copies of invoices and other supporting documentation from Cornfield Productions. We reviewed all the claims and support provided by Cornfield Productions and identified the unqualified expenditures summarized in **Table 18**. **Exhibit F** is a detailed listing of the unqualified expenditures and the basis for determining the payments to be unqualified.

As illustrated by **Table 18**, we identified unqualified expenditures of \$4,609,215.21. This is 73.6% of the total expenditures reported by Cornfield Productions. The unqualified expenditures are discussed in the following paragraphs.

- No proof of payment – We were unable to determine if \$148,099.08 of the expenditures claimed had been paid. We could not locate any copies of checks or other support indicating a payment had been made to the vendor or individual working on the production.
- Out-of-state vendor/resident – We determined \$835,879.31 of the expenditures claimed were paid to vendors located outside the State of Iowa. This amount includes \$628,167.99 paid to EPPS Purchasing Iowa, which is a shell company set up by EPPS, whose main office is California.
- Paid but unsupported expenditures – We determined \$3,625,236.82 of the expenditures claimed were not supported. Of this amount, \$3,043,792.63 was paid to EPPS Purchasing Iowa for payroll. Because we did not receive records from Cornfield Productions regarding the residency of the individuals paid, we were unable to determine if the individuals were Iowa residents. We also identified \$278,156.45 of petty cash payments for which there was no supporting documentation.

The \$3,625,236.82 also included \$261,929.33 of journal entries made by Cornfield Productions. Because we did not have the original support for the entry to determine if the amount was paid to an Iowa vendor or resident, the amount was excluded from the tax credit calculation.

We found no evidence in the records provided by the Department documenting Mr. Wheeler performed any detailed review of the expenditures in order to determine if the expenditures qualified for the Program and were paid to an Iowa based business or Iowa resident. As stated previously, Mr. Wheeler stated he only performed “spot audits” of the expenditures.

The Department did not issue an investment tax credit certificate for *Peacock*. Instead, the Department calculated the expenditure tax credit at 50% of the \$6,418,780.12 of expenditures originally reported for the project. In accordance with Iowa administrative rules, the basis for the investment tax credit calculation was to be the amount of investment adjusted for qualified expenditures. We requested information from Cornfield Productions regarding the investment made in the project. The information provided showed a total investment of \$7,557,050.67. In accordance with requirements established by the *Code of Iowa*, we limited the amount of investment used to calculate the investment tax credits to the amount of expenditures reported by Cornfield Productions. **Table 19** compares the Department’s calculation to the allowable amount based on the correct formula.

Table 19

Description		Amounts
Total investment		\$ 6,262,572.17
Adjustment for qualified expenditures from Table 18		(1,653,356.96)
Adjusted investment		4,609,215.21
Less:		
Deferred payments	\$ -	
In-kind investments	-	
No proof of payment	(148,099.08)	
Not directly related to production	-	
Subtotal unqualified		(148,099.08)
Allowable investment		4,461,116.13
x Tax credit percentage		25%
Calculated investment tax credits		\$ 1,115,279.03
Investment tax credit certificates issued by the Department (\$6,418,780.12 x 0%)		\$ -
Allowable investment tax credits*		(413,339.24)
Shortage of investment tax credit certificates issued		\$ (413,339.24)

* - Investment tax credits are limited to 25% of the project’s qualified expenditures.

As illustrated by the **Table**, we adjusted the allowable investment for expenditures for which we did not have proof of payment. As previously stated, we requested proof of payment for expenditures claimed by the production company. However, sufficient documentation was not provided for the project. Because we were unable to verify the payments were made, we excluded these amounts from the calculation of the allowable investment tax credits.

In accordance with the requirements established by the *Code of Iowa*, the amount of the investment tax credits is limited to the amount of the expenditure tax credits. As a result, if an investment tax credit certificate had been issued, it would have been limited to the amount shown in **Table 19**.

Table 20 compares the tax credit certificates issued by the Department to the allowable tax credits. The variance represents the excess tax credit certificates issued for *Peacock*.

Table 20

Description	Tax Credit Certificates Issued by the Department	Allowable Tax Credits	Excess/(Shortage of) Tax Credit Certificates Issued
Expenditure	\$ 3,209,390.06	413,339.24	2,796,050.82
Investment	-	413,339.24	(413,339.24)
Total	\$ 3,209,390.06	826,678.48	2,382,711.58

The total tax credit certificates issued by the Department are 50% of the expenditures claimed by the production company (\$6,418,780.12 x 50%). This is consistent with Mr. Wheeler's and the Department's position of promoting the Program as "half-off film making." However, as previously stated, the expenditure tax credits are limited to 25% of the qualified expenditures and the investment tax credits are limited to 25% of the investment, less an adjustment for qualified expenditures.

Because the Department and Mr. Wheeler did not perform a detailed review of the expenditures, verify the investment(s) made in the project or follow the Program rules when calculating the expenditure tax credits, the Department issued \$2,382,711.58 more tax credit certificates than appropriate. Redemption of the excess tax credit certificates will result in the State collecting \$2,382,711.58 less in tax revenue.

We reviewed 10 copies of expenditure tax credit certificates issued for *Peacock*. The copies were obtained from the Department and ranged from \$15,000.00 to \$1,400,859.00. It appears the tax credit certificates were not originally issued to the production company. Instead, it appears the tax credit certificates were originally issued with the transferee information completed and were issued to parties to whom the production company sold the tax credit certificates prior to their issuance. None of the certificates included the required signature for the transfer of the tax credit certificate.

The Scientist

Polynation Pictures LLC, (Polynation) submitted an application for the film *The Scientist* in August 2008. According to the application, *The Scientist* is a feature length film about a scientist obsessed with the study of other dimensions and his search to create a machine to give the world pure, clean and limitless fuel. The machine interacts with him and provides a series of awakenings which allows him to let go of his past.

We were unable to determine the date the application was submitted. The records provided by the Department included 3 applications. The 3 applications were saved on the Department's computer network on August 6, 2008, September 10, 2008 and September 25, 2008. Paper copies of the applications could not be located. None of the applications were signed by a Polynation representative or by a Department representative. All 3 applications noted the production was to occur between October 2, 2008 and November 7, 2008.

According to the applications saved on August 6, 2008 and on September 10, 2008, the film's total budget was estimated to be \$767,250.00 and the amount to be spent in Iowa was estimated to be \$625,000.00. According to the final application saved on September 25, 2008, the estimated total budget increased to \$1,795,387.00 and the estimated amount to be spent in Iowa increased to \$1,700,000.00.

While an application signed by a Department representative was not located, a "Request to Contract" was approved by former Director Tramontina on August 27, 2008. The "Request to Contract" was supposed to be completed and signed only after the application was complete and approved by Mr. Wheeler. Because the "Request to Contract" was signed prior to the final application dated September 25, 2008, it does not appear the Director or Deputy Director was aware of the change in the budget.

The contract was signed by a representative of Polynation on September 23, 2008 and by a Department representative on September 30, 2008. The contract included budgeted amounts of \$1,795,387.00 and Iowa spend of \$1,700,000.00. The contract included production dates of October 2, 2008 through November 10, 2008.

During our review of documentation provided by the Department, we found 2 contracts for the film signed by Mr. Lintz. We compared the 2 contracts and determined Mr. Lintz's signatures appeared to be different while the language in the 2 contracts was identical. We did not locate any amendments to the contract and there was no support or information included in the documentation provided by the Department to explain why there were 2 contracts for the film and why the signatures were different. In addition, Department staff we spoke with could not provide any additional information explaining why there were multiple contracts. The signature page used for both contracts was originally faxed to the Department with a signature of a Polynation representative.

Polynation received expenditure tax credit certificates of \$1,850,777.85. The Department calculated the amount of the tax credit on total expenditures of \$3,701,555.91. This amount is approximately twice the amount budgeted in the contract and almost 5 times the estimated budget in the original application saved on the Department's computer network on August 6, 2008.

Table 21 compares the Department's calculation to the allowable amount based on our review of the actual expenditures claimed by Polynation.

		Table 21
Description		Amounts
Total expenditures reported		\$ 3,701,555.91
Adjustments for unqualified expenditures:		
Payments to the producer and lead actors	\$	-
Deferred payments		-
In-kind expenditures	(546,658.00)	
No proof of payment	(495,189.49)	
Not directly related to production	(13,833.29)	
Out-of-state vendor/resident	(2,645,875.13)	
Paid but unsupported expenditures	-	
Subtotal unqualified expenditures		(3,701,555.91)
Allowable qualified expenditures		-
x Tax credit percentage		25%
Allowable expenditure tax credits		\$ -
Expenditure tax credit certificates issued by the Department (\$3,701,555.69 x 50%)		\$ 1,850,777.85
Allowable expenditure tax credits		-
Excess expenditure tax credit certificates issued		\$ 1,850,777.85

A Z report was required to be submitted to the Department by Polynation listing qualified expenditures incurred for the film. While we were unable to locate a Z report for *The Scientist*, we located 3 electronic files saved on the Department's network. The files are described in the following paragraphs.

- File 1 was for the period August 1, 2008 through December 15, 2008 and included total expenditures of \$3,701,555.91. This is the amount the Department used as qualified expenditures to calculate the expenditure tax credits. This report only included summary data and did not include any detail which would allow a reviewer to determine if the expenditures were qualified for the expenditure tax credits.

- File 2 was for the period August 22, 2008 through December 15, 2008 and included total expenditures of \$3,129,333.69. This amount is \$572,222.00 less than the amount used by the Department to calculate the expenditure tax credits.
- File 3 was for the period January 1, 2008 through December 14, 2008 and included total expenditures of \$3,714,628.13. This report included costs for the Director and the producer totaling \$13,072.22, which are unqualified expenditures. Adjusting the total expenditures in the report for these unqualified expenditures results in net expenditures of \$3,701,555.91, which is the amount used by the Department to calculate the expenditure tax credits.

We contacted Polynation and requested detailed invoices, copies of checks and other supporting documentation in order to verify the expenditures were qualified for the expenditure tax credits. Polynation did not provide us copies of supporting documentation. As a result, we used the limited information in the files provided by the Department to determine if the expenditures claimed qualified for the expenditure tax credits. Based on the limited documentation available, we identified the unqualified expenditures summarized in **Table 21**. In some cases, the expenditures qualified for the expenditure tax credits. However, because Polynation did not submit documentation showing the expenditures were paid, we excluded them from the calculation of the allowable expenditure tax credits. **Exhibit G** is a detailed listing of the unqualified expenditures and the basis for determining the payments to be unqualified.

As illustrated by **Table 21**, we did not allow any expenditure tax credits for the project. The unqualified expenditures are discussed in the following paragraphs.

- In-kind expenditures – We determined \$546,658.00 of the expenditures were in-kind expenditures for which no payment was made. As previously stated, in-kind expenditures are unqualified because a payment was not made. In this case, in-kind expenditures were claimed for 3 companies.

The first company was West Productions LLC, a company located in Omaha, NE. An invoice from the company includes a line item showing \$72,208.00 was included as in-kind. The invoice also included an amount due of \$11,513.00. This amount is included as unqualified as a payment to an out-of-state vendor.

Prolific Post, a company located in Minneapolis, MN, submitted an invoice for \$474,450.00. The invoice included a note stating “this is an adjusted SIK (*service in kind*), based on the development and advancements of quality *The Scientist* has undergone.” We included this amount as unqualified based on the service in kind statement. Had this invoice been paid it, would have been considered unqualified for the expenditure tax credit because the vendor was located outside Iowa.

The final company is Mona Kay Photography, a company located in Omaha, NE. The claim submitted indicated the balance of \$3,722.40 applied to time invested. This is the amount claimed as an in-kind expenditure. In addition, the invoice included a line showing payments received of \$450.00. The \$450.00 is included as an unqualified expenditure under payments to out-of-state vendors.

- No proof of payment – We excluded \$495,189.49 from expenditure tax credits because Polynation failed to provide any support showing the expenditures claimed were paid. Had Polynation provided support for the payment of the expenditures claimed, we would have been able to determine if the expenditures qualified and calculated the allowable expenditure tax credits.
- Not directly related to production – We determined \$13,833.29 of the expenditures claimed for the expenditure tax credits was for air fare for travel outside of Iowa. Because the travel was booked through an Iowa based travel agent, the full amount of the claim was allowed by Mr. Wheeler. However, only the booking fee paid to the travel agent would have been allowable because all travel was outside of Iowa. In addition, Polynation did not

provide proof of payment for these expenditures. These expenditures would not qualify for the expenditure tax credits even if proof of payment had been provided.

- Out-of-state vendor/resident – We determined \$2,645,875.13 of the expenditures claimed for the expenditure tax credits was to out-of-state vendors or residents and, therefore, are not qualified for the expenditure tax credits. Of this amount, \$2,622,085.00 was claimed as a payment to Maximus Productions. This amount was supported by a “Production Quote” rather than a final invoice for services provided. In addition, Maximus Productions is located in Minneapolis, MN and, therefore, is not an Iowa based business. As a result, this amount is not qualified for the expenditure tax credits. In addition, Polynation did not provide proof of payment for these expenditures. These expenditures would not qualify for the expenditure tax credits even if proof of payment had been provided.

We found no evidence in the records provided by the Department documenting Mr. Wheeler performed any detailed review of the expenditures in order to determine if the expenditures qualified for the Program and were paid to an Iowa based business or Iowa resident. As stated previously, Mr. Wheeler stated he only performed “spot audits” of the expenditures. Although the information was readily available for Mr. Wheeler to determine the payments to Maximus Productions and other companies included in-kind expenditures and payments to out-of-state vendors or residents, Mr. Wheeler allowed the expenditures to be claimed for the expenditure tax credits.

According to the information in the ledger submitted by Polynation, the total investment in the film was \$3,717,220.90. This includes \$637,255.50 of cash. The remaining investment balance was shown as in-kind investments from Maximus Productions (\$3,079,965.40), Mona Kay Photography (\$3,722.40), Prolific Post LLC (\$474,450.00) and West Productions LLC (\$72,208.00).

The Department did not issue an investment tax credit certificate for *The Scientist*. Instead, the Department calculated the expenditure tax credits at 50% of the expenditures claimed. In accordance with the administrative rules, the basis for the tax credit calculation was to be the amount of investment adjusted for the qualified expenditures. For the purposes of our calculation, we limited the investment amount to the total expenditures claimed. **Table 22** compares the Department’s calculation to the allowable amount based on the correct formula.

Table 22

Description		Amounts
Total investment		\$ 3,701,555.91
Adjustment for qualified expenditures from Table 21		-
Adjusted investment		3,701,555.91
Less:		
Deferred payments	-	
In-kind investments	\$ (546,658.00)	
No proof of payment [^]	(3,154,897.91)	
Not directly related to production	-	
Subtotal unqualified		(3,701,555.91)
Allowable investment		-
X Tax credit percentage		25%
Allowable investment tax credits		\$ -
Investment tax credit certificates issued by the Department		\$ -
Allowable investment tax credits		-
Excess investment tax credit certificates issued		\$ -

[^] - This amount includes expenditures shown in **Table 21** which were unqualified due to no proof of payment, not directly related to production and out-of-state vendor/resident. For each of these types of unqualified expenditures, proof of payment was not provided.

As illustrated by the **Table**, we adjusted the allowable investment for the following items:

- In-kind investments – In-kind investments are an allowable form of investment only if the investor receives an equity investment in the project rather than goods or services. In the case of *The Scientist*, the amount reported as in-kind investments was also claimed as an in-kind expenditure for the expenditure tax credits. Because the amount of in-kind investments reported equaled the amount of the in-kind expenditures claimed, a qualified investment did not occur. As a result, the in-kind investments were excluded from the calculation of allowable investment tax credits.
- No proof of payment – As previously stated, we requested proof of payment for expenditures claimed by the production company. However, sufficient documentation was not provided for the project. Because we were unable to verify the payments were made, we excluded these amounts from the calculation of the allowable investment tax credits.

Table 23 compares the tax credit certificates issued by the Department to the allowable tax credits. The variance represents the excess tax credit certificates issued for *The Scientist*.

Description	Tax Credit Certificates Issued by the Department	Allowable Tax Credits	Excess Tax Credit Certificates Issued
Expenditure	\$ 1,850,777.85	-	1,850,777.85
Investment	-	-	-
Total	\$ 1,850,777.85	-	1,850,777.85

The Department issued total tax credit certificates equal to 50% of the expenditures claimed by the production company (\$3,701,555.69 x 50%). This is consistent with Mr. Wheeler's and the Department's position of promoting the Program as "half-off film making."

Because the Department and Mr. Wheeler did not perform a detailed review of the expenditures, verify the investment(s) made in the project or follow the Program rules when calculating the expenditure tax credits, the Department issued \$1,850,777.85 more tax credit certificates than appropriate. Redemption of the excess tax credit certificates will result in the State collecting \$1,850,777.85 less in tax revenue.

We reviewed copies of 7 expenditure tax credit certificates for *The Scientist* which were available from the Department. Based on our review of the copies, it appears the tax credit certificates were not originally issued to the production company. Instead, it appears the tax credit certificates were originally issued with the transferee information completed and were issued to parties to whom the production company sold the tax credits prior to their issuance.

South Dakota

LionHeart Films Inc. (LionHeart) submitted an application for the film *South Dakota* on February 7, 2008. According to the application, *South Dakota* is a feature length film about "two families stories depicting family values, unconditional love and individual strife when confronted with pregnancy and birth control, and the spiritual quest for understanding of life and death."

We located 2 applications for this film. The first was submitted via e-mail and was saved on the Department's computer network on February 7, 2008. The second application was attached to the contract. The application attached to the contract was signed by a representative of LionHeart on March 28, 2008 and was signed by Mr. Wheeler on February 15, 2008. The copy of the application attached to the contract shows it was faxed to the Department on March 28, 2008. In addition to the application, we found a letter from Mr. Wheeler to LionHeart, dated February 18, 2008, notifying them the application had been approved.

Both applications include a budget estimate of \$3,000,000.00 and an estimated amount of \$2,700,000.00 to be spent in Iowa. The applications show principal photography was to begin on April 14, 2008 and end on May 15, 2008. The contract was signed by a LionHeart representative on May 28, 2008 and by a Department representative on June 4, 2008. The contract shows a total budget of \$4,000,000.00 and an amount to be spent in Iowa of \$3,100,000.00.

LionHeart received expenditure tax credit certificates of \$1,678,341.69. The Department calculated the expenditure tax credits based on 50% of the \$3,356,683.38 total expenditures reported. We requested and received support from LionHeart, which included a listing of expenditures totaling \$3,352,551.13. Using the listing provided, we reviewed the support and identified qualified and unqualified expenditures.

Table 24 compares the Department's calculation to the allowable amount based on our review of the expenditures claimed by LionHeart.

		Table 24	
Description		Amounts	
Total expenditures reported		\$ 3,352,551.13	
Adjustments for unqualified expenditures:			
Payments to the producer and lead actors	\$	-	
Deferred payments		-	
In-kind expenditures		-	
No proof of payment		-	
Not directly related to production	(1,946.92)		
Out-of-state vendor/resident	(488,102.62)		
Paid but unsupported expenditures	(2,175.67)		
Subtotal unqualified expenditures		(492,225.21)	
Allowable qualified expenditures		2,860,325.92	
x Tax credit percentage		25%	
Allowable expenditure tax credits		\$ 715,081.48	
Expenditure tax credit certificates issued by the Department (\$3,356,683.38 x 50%)		\$ 1,678,341.69	
Allowable expenditure tax credits		(715,081.48)	
Excess expenditure tax credit certificates issued		\$ 963,260.21	

A Z report was required to be submitted to the Department by LionHeart listing qualified expenditures incurred for the film. We were unable to locate a Z report for *South Dakota*. However, we located an electronic file provided by the Department named "E South Dakota expenses summary 7 27 08.pdf." This file was a general ledger inquiry and reported the total expenditures for the film as of July 27, 2008. The total expended, \$3,356,683.38, agreed with the amount used by the Department in calculating the expenditure tax credit. **Exhibit H** is a detailed listing of the unqualified expenditures, including the basis for determining the payments to be unqualified.

As illustrated by **Table 24**, we identified \$492,225.21 of unqualified expenditures using the information provided by LionHeart. This is 14.7% of the total expenditures reported as qualified for the expenditure tax credits. The unqualified expenditures are discussed in the following paragraphs.

- Not directly related to production – We determined \$1,946.92 of costs for the wrap party was included in the expenditures. Because a wrap party is held after filming is completed,

it is not a direct expenditure of the production and is not qualified for the expenditure tax credits.

- Out-of-state vendor/resident – We identified \$488,102.62 of expenditures which were paid to vendors and individuals outside the State of Iowa. Of this amount, \$298,754.53 was paid to an Iowa based business which acted as the fiscal agent for LionHeart. The fiscal agent then paid other vendors for goods and services. This is similar to a shell company, except this business was an existing business in Iowa.
- Paid but unsupported expenditures – We determined \$2,175.67 of the expenditures were not properly supported.

We found no evidence in the records provided by the Department documenting Mr. Wheeler performed any detailed review of the expenditures in order to determine if the expenditures qualified for the Program and were paid to an Iowa based business or Iowa resident. As stated previously, Mr. Wheeler stated he only performed “spot audits” of the expenditures.

Information provided by LionHeart included information related to the investments made in *South Dakota*. According to the information received, LionHeart had a line of credit with a financial institution and received \$3,380,000.00 in cash from an investment company. In determining the allowable investment in accordance with the administrative rules, we limited the investment to the total expenditures reported by LionHeart.

The Department did not issue an investment tax credit certificate for *South Dakota*. Instead, the Department calculated the expenditure tax credit at 50% of the expenditures claimed. In accordance with the administrative rules, the basis for the tax credit calculation was to be the amount of investment adjusted for the qualified expenditures. **Table 25** compares the Department’s calculation to the allowable amount based on the correct formula.

Table 25

Description		Amounts
Total investment		\$ 3,352,551.13
Adjustment for qualified expenditures from Table 24		(2,860,325.92)
Adjusted investment		492,225.21
Less:		
Deferred payments	\$ -	
In-kind investments	-	
No proof of payment	-	
Not directly related to production	-	
Subtotal unqualified		-
Adjusted investment		492,225.21
x Tax credit percentage		25%
Allowable investment tax credits		\$ 123,056.30
Investment tax credit certificates issued by the Department		\$ -
Allowable investment tax credits		(123,056.30)
Shortage of investment tax credit certificates issued		\$ (123,056.30)

Table 26 compares the tax credit certificates issued by the Department to the allowable tax credits. The variance represents the excess tax credit certificates issued for *South Dakota*.

Table 26

Description	Tax Credit Certificates Issued by the Department	Allowable Tax Credits	Excess/(Shortage of) Tax Credit Certificates Issued
Expenditure	\$ 1,678,341.69	715,081.48	963,260.21
Investment	-	123,056.30	(123,056.30)
Total	\$ 1,678,341.69	838,137.78	840,203.91

The Department issued total tax credit certificates equal to 50% of the expenditures claimed by the production company (\$3,356,683.38 x 50%). This is consistent with Mr. Wheeler's and the Department's position of promoting the Film Tax Credit Program as "half-off film making."

Because the Department and Mr. Wheeler did not perform a detailed review of the expenditures, verify the investment(s) made in the project or follow the Program rules when calculating the expenditure tax credits, the Department issued \$840,203.91 more tax credit certificates than appropriate. Redemption of the excess tax credit certificates will result in the State collecting \$840,203.91 less in tax revenue.

We reviewed copies of the expenditure tax credit certificates for *South Dakota* which were available from the Department. The copies did not include a signature of a Department representative. Based on information obtained from LionHeart, an investor in the project transferred their portion of the tax credits to LionHeart Films, Inc. on July 31, 2008. LionHeart also provided documentation showing LionHeart Films, Inc. requested, on July 31, 2008, its portion of the tax credit certificates be transferred to a third party. We were unable to located copies of the tax credit certificates which included the completed transferee information and required signatures.

Twelve Thirty

Twelve Thirty Productions LLC submitted an application for the film *Twelve Thirty* on January 29, 2009. According to the application, *Twelve Thirty* is a feature length film about "An estranged Iowa City family, reunited by an unlikely and peculiar chain of events."

In the application, Twelve Thirty Productions estimated a total budget of \$2,300,000.00, of which an estimated \$1,900,000.00 was to be spent in Iowa. Production of the film was to occur between May 1, 2009 and August 1, 2009. The Department approved the application on January 29, 2009 and issued the "Request to Contract" on February 20, 2009. The final contract was signed by a representative of Twelve Thirty Productions on April 1, 2009 and by a Department representative on April 2, 2009.

During our review of documentation provided by the Department, we found several draft contracts in the files provided by the Department. The draft contracts show budget amounts less than the amount in the application submitted by Twelve Thirty Productions. It appears Mr. Wheeler used a prior shell contract and edited the required fields. None of the contracts were signed or approved. The only approved contract was dated April 1, 2009.

Twelve Thirty Productions received an expenditure tax credit certificate of \$629,698.25. The Department calculated the amount of the tax credits based on total expenditures of \$2,518,793.00. The Department used the "Consolidated Budget" report prepared and submitted by Twelve Thirty Productions on June 20, 2009 to calculate the expenditure tax credits. According to the report, Twelve Thirty Productions had expended only \$554,600.00 as of the date

of the report. The report also showed estimated expenditures to complete the project of \$2,145,128.00. Using total expenditures of \$2,669,728.00 and adjusting for \$150,935.00 of unqualified expenditures for the producer's salary and fringe benefits, Mr. Wheeler arrived at the \$2,518,793.00 amount used to calculate the expenditure tax credits.

Mr. Wheeler used estimated expenditures for the calculation of the tax credits. As previously stated, Program rules require the expenditure tax credits be calculated on payments to Iowa vendors or residents and not estimated expenditures. Because Mr. Wheeler used estimated expenditures, he awarded more expenditure tax credits to Twelve Thirty Productions than appropriate. In addition, the budget submitted by Twelve Thirty Productions does not include any information regarding whether the expenditures were to be incurred in Iowa or outside the state.

We requested support from Twelve Thirty Productions and received several boxes of information, including support for the expenditures. The expenditure support provided by Twelve Thirty Productions totaled \$2,508,067.54 as of February 12, 2010. After adjusting for the producer's salary and fringe benefits, the qualified expenditure amount used by Mr. Wheeler for the tax credit calculation was \$2,275,165.64.

Table 27 compares the Department's calculation to the allowable amount based on our review of the actual expenditures claimed by Twelve Thirty Productions.

		Table 27
Description		Amounts
Total expenditures reported		\$ 2,275,165.54
Adjustments for unqualified expenditures:		
Payments to the producer and lead actors	\$ -	
Deferred payments	(1,544,164.00)	
In-kind expenditures	-	
No proof of payment	(25.00)	
Not directly related to production	(83.00)	
Out-of-state vendor/resident	(420,606.42)	
Paid but unsupported expenditures	(86,592.16)	
Subtotal unqualified expenditures		(2,051,470.58)
Allowable qualified expenditures		223,694.96
x Tax credit percentage		25%
Allowable expenditure tax credits		\$ 55,923.74
Expenditure tax credit certificates issued by the Department (\$2,518,793.00 x 25%)		\$ 629,698.25
Allowable expenditure tax credits		(55,923.74)
Excess expenditure tax credit certificates issued		\$ 573,774.51

A Z report was required to be submitted to the Department by Twelve Thirty Productions listing qualified expenditures incurred for the film. We were unable to locate a Z report for *Twelve Thirty*. Using the information submitted by Twelve Thirty Productions, we reviewed all the claims and support provided and identified the unqualified expenditures summarized in **Table 27**. **Exhibit I** is a detailed listing of the unqualified expenditures, including the basis for determining the payments to be unqualified.

As illustrated by **Table 27**, we identified unqualified expenditures of \$2,051,470.58. This is 90.2% of the total expenditures reported as qualified for the expenditure tax credits. The unqualified expenditures are discussed in the following paragraphs.

- No proof of payment – Twelve Thirty Productions provided documentation which included \$25.00 for petty cash expenditures. However, sufficient documentation was not provided to show payment had been made.
- Not directly related to production – The documentation provided to Twelve Thirty Productions included \$83.00 paid to the Scott County Clerk of Court. Based on the payee and amount of the expenditure, it is likely the payment related to a traffic violation or some other type of judgment. Such costs are not related to production of the project.
- Deferred payments – According to an e-mail received from a representative of Twelve Thirty Productions, the production company established 40 contracts totaling \$1,544,164.00 with various parties. Under the terms of the contracts, the amount owed to each vendor/individual would be paid as money “became available during distribution of the film.” Because these contracts were not paid by the time the production was complete, the amount claimed for the expenditure tax credit is unqualified.
- Out-of-state vendor/resident – We identified \$420,606.42 of expenditures paid to vendors and individuals located outside the State of Iowa which do not qualify for the expenditure tax credits. Unlike other films, there were very few transactions involving a shell company. Of the \$420,606.42 identified, \$7,700.64 was for petty cash payments to out-of-state vendors for fuel, lodging and transportation.
- Paid but unsupported expenditures – We determined \$86,592.16 of the expenditures were not properly supported. Of the unsupported expenditures identified, \$40,936.19 was paid to Iowa Film Services and \$35,568.68 was petty cash payments which were not supported by any documentation.

We found no evidence in the records provided by the Department documenting Mr. Wheeler performed any detailed review of the expenditures in order to determine if the expenditures qualified for the Program and were paid to an Iowa based business or Iowa resident. As stated previously, Mr. Wheeler stated he only performed “spot audits” of the expenditures.

The Department issued an investment tax credit certificate of \$629,698.25 for *Twelve Thirty*. The Department calculated the amount of the investment tax credits using total expenditures of \$2,518,793.00. In accordance with the administrative rules, the basis for the tax credit calculation was to be the amount of investment adjusted for the qualified expenditures. We requested information from Twelve Thirty Productions to support the amount invested in the project. The information provided indicated the producer invested \$50,000.00 of his own capital and the remaining capital was provided by several individual investors. The list of investors provided did not indicate the amount invested by each individual.

Based on this information, we used the total expenditures as the beginning investment in the project. **Table 28** compares the Department’s calculation to the allowable amount based on the qualified investment we calculated and the correct formula.

Table 28

Description		Amounts
Total investment		\$ 2,275,165.54
Adjustment for qualified expenditures from Table 27		(223,694.96)
Adjusted investment		2,051,470.58
Less:		
Deferred payments	\$ (1,544,164.00)	
In-kind investments	-	
No proof of payment	(25.00)	
Not directly related to production	(83.00)	
Subtotal unqualified		(1,544,272.00)
Allowable investment		507,198.58
x Tax credit percentage		25%
Calculated investment tax credits		\$ 126,799.64
Tax credit certificates issued by the Department (\$2,518,793.00 x 25%)		\$ 629,698.25
Allowable investment tax credits*		(55,923.74)
Excess investment tax credit certificates issued		\$ 573,774.51

* - Investment tax credits are limited to 25% of the project's qualified expenditures.

As illustrated by the **Table**, we adjusted the allowable investment for the following items:

- Deferred payments – As previously stated, the amount shown as deferred payments was based on “deal memos” where individuals were promised payment of an amount contingent on the sale of the film for a specific amount. Because these payments were not made, we excluded the deferred payments from the calculation of the allowable investment tax credits.
- No proof of payment – As previously stated, we requested proof of payment for expenditures claimed by the production company. However, sufficient documentation was not provided for the project. Because we were unable to verify the payments were made, we excluded these amounts from the calculation of the allowable investment tax credits.
- Not directly related to production – The expenditures not related to production which were also not considered allowable for the calculation of investment tax credits include \$83.00 paid to the Scott County Clerk of Court. Based on the payee and amount of the expenditure, it is likely the payment related to a traffic violation or some other type of judgment. Such costs are not an investment in the project.

According to section 15.393(2)(b) of the *Code of Iowa*, the investment tax credits are limited to the expenditure tax credit. As shown by the **Table**, the investment tax credits allowed in this instance are limited to the expenditure tax credits.

Table 29 provides a summary of the total tax credit certificates issued by the Department compared to the allowable tax credits. The variance represents the excess tax credit certificates issued for *Twelve Thirty*.

Table 29

Description	Tax Credit Certificates Issued by the Department	Allowable Tax Credits	Excess Tax Credit Certificates Issued
Expenditure	\$ 629,698.25	55,923.74	573,774.51
Investment	629,698.25	55,923.74	573,774.51
Total	\$ 1,259,396.50	111,847.48	1,147,549.02

As shown by the **Table**, the tax credit certificates issued by the Department are equal for both the expenditure and investment tax credits. In this case, the Department used total expenditures to calculate the credits (\$2,518,793.00 x 25%). This is consistent with Mr. Wheeler's and the Department's position of promoting the Program as "half-off film making." If the Department had used the correct calculation, the expenditure and investment tax credit certificates would be equal as a result of the investment tax credits being limited to the expenditure tax credits.

Because the Department and Mr. Wheeler did not perform a detailed review of the expenditures, verify the investment(s) made in the project or follow the Program rules when calculating the expenditure tax credits, the Department issued \$1,147,549.02 more tax credit certificates than appropriate. Redemption of the excess tax credit certificates issued and sold to third parties will result in the State collecting \$1,147,549.02 less in tax revenue.

We reviewed copies of expenditure and investment tax credit certificates for *Twelve Thirty* which were available from the Department. Based on our review of the copies, it appears the tax credit certificates were not originally issued to the production company. Instead, it appears the tax credit certificates were originally issued with the transferee information completed and were issued to parties to whom the production company sold the tax credits prior to their issuance. None of the certificates included the required signatures for the transfer of the credit.

Children of the Corn

Children of the Corn Productions Corporation (Children of the Corn Productions) submitted an application for the film "*Children of the Corn*" on August 14, 2008. According to the application, *Children of the Corn* is a feature length film about "A couple who accidentally hit a kid with their car and end up in a town where the adults have all been killed by their cult following children."

According to the application, Children of the Corn Productions estimated a total budget of \$2,225,000.00, of which an estimated \$1,500,000.00 to \$2,000,000.00 was to be spent in Iowa. Production of the film was to occur between August 4, 2008 and September 30, 2008. The application was signed on August 14, 2008 by representatives of Children of the Corn Productions and the Department. The final contract was signed by a representative of Children of the Corn Productions on August 14, 2008 and a representative of the Department on October 23, 2008.

Based on the dates signed, the Department did not follow its established procedures. The application should have been approved before entering into contract negotiations. In this case, the Department provided the contract to Children of the Corn Productions at the same time the application was approved.

Children of the Corn Productions received an expenditure tax credit certificate of \$1,222,169.07. The Department calculated the amount of the expenditure tax credit based on 50% of the total expenditures reported by Children of the Corn Productions. The *Code of Iowa* allows for an expenditure tax credit of 25% of qualified expenditures. **Table 30** compares the Department's calculation to the allowable amount based on our review of the actual expenditures reported by Children of the Corn.

Table 30

Description		Amounts
Total expenditures reported		\$ 2,444,338.14
Adjustments for unqualified expenditures:		
Payments to the producer and lead actors	\$	-
Deferred payments		-
In-kind expenditures		-
No proof of payment		(162,684.10)
Not directly related to production		-
Payments to out-of-state vendor/resident		(1,345,516.46)
Paid but unsupported expenditures		(445,718.80)
Subtotal unqualified expenditures		(1,953,919.36)
Allowable qualified expenditures		490,418.78
x Tax credit percentage		25%
Allowable expenditure tax credits		\$ 122,604.70
Expenditure tax credit certificates issued by the Department (\$2,444,338.14 x 50%)		\$ 1,222,169.07
Allowable expenditure tax credits		(122,604.70)
Excess expenditure tax credit certificates issued		\$ 1,099,564.37

A Z report was required to be submitted to the Department by Children of the Corn Productions at the time it filed for the expenditure tax credit certificate. We were unable to locate a Z report for *Children of the Corn*. However, the files provided by the Department included a profit and loss statement as of December 2008 showing total expenditures of \$2,444,338.14. The total expenditures reported on the statement agreed to the amount used by the Department to calculate the expenditure tax credits. However, the statement included in the Department's files does not include enough detail to determine if the expenditures reported qualified for the expenditure tax credits. However, Children of the Corn Productions submitted detailed records, including copies of checks and invoices, to the Department. We reviewed all the claims and support provided by Children of the Corn Productions and identified the unqualified expenditures summarized in **Table 30. Exhibit J** is a detailed listing of the unqualified expenditures, including the basis for determining the payments to be unqualified.

As illustrated by **Table 30**, we identified unqualified expenditures of \$1,953,919.36. This is 79.9% of the total expenditures reported to the Department by Children of the Corn Productions for the expenditure tax credits. The unqualified expenditures are discussed in the following paragraphs.

- No proof of payment – We identified \$162,684.10 of expenditures which did not have support showing payment had been made to the vendor or individual working on the production. This amount includes \$154,753.84 paid by Appiano Activities, a shell company used by Children of the Corn.
- Out-of-state vendor/resident – We identified \$1,345,516.46 of expenditures which were paid to vendors or residents located outside the State of Iowa. Of this amount, \$1,239,689.96 was paid to Appiano Activities and \$50,608.30 was paid to P13 Iowa LLC. Both Appiano Activities and P13 Iowa LLC are shell companies established in Iowa. As previously stated, shell companies are used to qualify out-of-state payments as allowable for the expenditure tax credits. A total of \$36,639.96 was paid to Gulliver's Travel, which is a travel agent located in Texas with offices in Iowa. The airfare was not for travel within

Iowa. The remaining balance of \$18,578.24 was paid directly to out-of-state vendors by Children of the Corn Productions.

- Paid but unsupported expenditures – We determined \$445,718.80 of the expenditures were not properly supported. The only support provided by Children of the Corn Productions were copies of checks made payable to the vendors. This amount includes \$392,768.24 paid to Appiano Activities for which no support was provided.

Even though Children of the Corn Productions submitted detailed records, we found no evidence the records had been reviewed by Mr. Wheeler. Had Mr. Wheeler performed a detailed review, the items we determined to be unqualified for the expenditure tax credits may have been identified prior to the expenditure tax credit certificates being issued.

We located support for \$2,524,000.00 of investments by DSK Productions and Hollywood Films. Because the investment amount exceeded the amount of the total expenditures reported by Children of the Corn Productions, the investment should have been limited to the total expenditures after adjustment for the qualified expenditures.

The Department did not issue an investment tax credit certificate for *Children of the Corn*. Instead, the Department awarded a 50% expenditure tax credit. As previously stated, this is in violation of the *Code of Iowa* and the Department's administrative rules. **Table 31** compares the Department's calculation to the allowable amount based on the correct formula. As shown by the **Table**, the investment tax credits were limited to the expenditure tax credits as required by the *Code of Iowa*.

Table 31

Description		Amounts
Total investment		\$ 2,444,338.14
Adjustment for qualified expenditures from Table 30		(490,418.78)
Adjusted investment		1,953,919.36
Less:		
Deferred payments	\$ -	
In-kind investments	-	
No proof of payment	(162,684.10)	
Not directly related to production	-	
Subtotal unqualified		(162,684.10)
Allowable investment		1,791,235.26
x Tax credit percentage		25%
Calculated investment tax credits		\$ 447,808.82
Expenditure tax credit certificates issued by the Department (\$0.00 x 25%)		\$ -
Allowable investment tax credits*		(122,604.70)
Shortage of investment tax credit certificates issued		\$ (122,604.70)

* - Investment tax credits are limited to 25% of the project's qualified expenditures.

As illustrated by the **Table**, we adjusted the allowable investment for expenditures for which we had no proof of payment. As previously stated, we requested proof of payment for expenditures claimed by the production company. However, sufficient documentation was not provided for the project. Because we were unable to verify the payments were made, we excluded these amounts from the calculation of the allowable investment tax credits.

Table 32 compares the tax credit certificates issued by the Department to the allowable tax credits. The variance represents the excess tax credit certificates issued for *Children of the Corn*.

Table 32

Description	Tax Credit Certificates Issued by the Department	Allowable Tax Credits	Excess/(Shortage of) Tax Credit Certificates Issued
Expenditure	\$ 1,222,169.07	122,604.70	1,099,564.37
Investment	-	122,604.70	(122,604.70)
Total	\$ 1,222,169.07	245,209.40	976,959.67

The total tax credit certificate issued by the Department is 50% of the expenditures claimed by the production company (\$2,444,338.14 x 50%). This is consistent with Mr. Wheeler's and the Department's position of promoting the Program as "half-off film making."

Because the Department and Mr. Wheeler did not perform a detailed review of the expenditures, verify the investment(s) made in the project or follow the Program rules when calculating the expenditure tax credits, the Department issued \$976,959.67 more tax credit certificates than appropriate. Redemption of the excess tax credit certificates will result in the State collecting \$976,959.67 less in tax revenue.

We reviewed copies of the 4 expenditure tax credit certificates issued for *Children of the Corn* which were available from the Department. Based on our review of the copies, it appears the tax credit certificates were not originally issued to the production company. Instead, it appears the tax credit certificates were originally issued with the transferee information completed and were issued to parties to whom the production company sold the tax credit certificates prior to their issuance. None of the tax credit certificates included the required signatures for the transfer of the credit.

Five Step Credit Repair

Mississippi Films Inc. (Mississippi Films) submitted an application for the project *Five Step Credit Repair* on February 26, 2009. According to the application, *Five Step Credit Repair* is a "self-help credit repair program on DVD-CD-ROM to be distributed in the USA."

According to the application, Mississippi Films estimated the total budget and the amount to be spent in Iowa at \$122,605.00. Production of the project was to occur between March 1, 2009 and April 30, 2009. The Department approved the application on February 26, 2009, the same day it was submitted.

Mr. Lintz signed the Request to Contract on March 12, 2009. The final contract was signed by a representative of Mississippi Films on May 5, 2009 and by a representative of the Department on May 10, 2009. Based on the dates in the contract, the production was to have been completed by April 30, 2009. Based on the expenditure listing submitted by Mississippi Films, the production occurred in March and April of 2009. The contract was not approved by Mr. Lintz until after production had been materially completed.

By reviewing the contract, we determined the signature page appears to be a substituted page. The page number is a duplicate of a page already included in the contract. The language on page 12 of the contract is incomplete and appears to be completed on the substituted page 12. Copies of the signature pages are included in **Appendix 13**. We also identified a separate electronic file included in the information provided by the Department which contained the signature of the Mississippi Films representative. There was no support or information included in the documentation provide by the Department explaining why there was a substituted page in the contract. In addition, Department staff we spoke with could not provide any additional information explaining why there would be a substituted page. Other than the substituted

signature page, there was no indication the contract was modified. The budget, production dates and other information agreed to the application.

Mississippi Films received an expenditure tax credit certificate of \$30,008.54. The Department based the amount of the tax credit on total expenditures of \$120,034.14. **Table 33** compares the Department's calculation to the allowable amount based on our review of the actual expenditures claimed by Mississippi Films.

Table 33

Description		Amounts
Total expenditures reported		\$ 120,034.14
Adjustments for unqualified expenditures:		
Payments to the producer and lead actors	\$ -	
Deferred payments	(87,587.00)	
In-kind expenditures	-	
No proof of payment	-	
Not directly related to production	(2,700.00)	
Out-of-state vendor/resident	-	
Paid but unsupported expenditures	(28,750.68)	
Subtotal unqualified expenditures		(119,037.68)
Allowable qualified expenditures		996.46
x Tax credit percentage		25%
Allowable expenditure tax credits		\$ 249.12
Expenditure tax credit certificates issued by the Department (\$3,186,806.64 x 25%)		\$ 30,008.54
Allowable expenditure tax credits		(249.12)
Excess expenditure tax credit certificates issued		\$ 29,759.42

A Z report was required to be submitted to the Department by Mississippi Films listing qualified expenditures incurred for the film. We were unable to locate a Z report for *Five Step Credit Repair*. However, we located an expenditure listing in the files provided by the Department. The listing agreed with the amount used by the Department to calculate the expenditure tax credits.

We requested detailed support from Mississippi Films and were provided copies of various receipts. By reviewing the receipts submitted, we determined many of the receipts were duplicates. For some expenditures, the same receipt was included 2 – 6 times. In addition, the documentation provided included receipts for expenditures which were not included in the listing provided to the Department. As a result of our testing, we identified expenditures which do not qualify for the expenditure tax credits in accordance with the Department's administrative rules. The unqualified expenditures identified are summarized in **Table 33**. **Exhibit K** provides a detailed listing of the unqualified expenditures, including the basis for determining the payments to be unqualified.

As illustrated by **Table 33**, we identified unqualified expenditures of \$119,037.68. This is 99.2% of the total expenditures reported as qualified for the expenditure tax credits. The unqualified expenditures are discussed in the following paragraphs.

- Deferred payments – We determined \$87,587.00 was claimed for payments which had not been made to individuals for services provided during production. We were provided copies of several “deal memos.” According to the memos, the individual was to be paid a set amount “if the film sells for \$300,000.00 or more. If the film sells for less than \$300,000.00 you will receive a proportional share of the profits.” A copy of a deal memo is

included in **Appendix 14**. As of the date of our report, there is no evidence payments have been made. As a result, the amount claimed does not qualify for a tax credit.

- Not directly related to production – We determined \$2,700.00 was paid to Witter Consulting for commissions on the sale of the tax credit certificates. Commissions are not expenditures directly related to the production of the project. As a result, they do not qualify for the expenditure tax credits.
- Paid but unsupported expenditures – We identified \$28,750.68 of expenditures which were not properly supported. Based on the limited information provided in the listing, we were unable to determine if the amounts claimed were actual payments to Iowa businesses or residents in most cases. The total was excluded from the tax credit calculation because of the lack of supporting documentation.

We found no evidence in the records provided by the Department documenting Mr. Wheeler performed any detailed review of the expenditures in order to determine if the expenditures qualified for the Program and were paid to an Iowa based business or Iowa resident. As stated previously, Mr. Wheeler stated he only performed “spot audits” of the expenditures.

According to available information, there was only 1 investor in the project, North Scott Consulting LLC. According to information available from the Secretary of State, the company is owned by the same individual who produced the project.

The Department issued an investment tax credit certificate of \$30,008.54 for *Five Step Credit Repair*. The Department calculated the amount of the tax credits using total expenditures of \$3,186,806.64. In accordance with Iowa administrative rules, the basis for the tax credit calculation was to be the amount of investment adjusted for qualified expenditures. We requested support from Mississippi Films for the amount invested in the project. Mississippi Films did not provide any support for the amount invested. We also could not locate any investment information in the files provided by the Department. To determine the proper amount of investment tax credit, we limited the investment amount to the total expenditures reported by Mississippi Films. **Table 34** compares the Department’s calculation to the allowable amount based on the correct formula.

Table 34

Description		Amounts
Total qualified investment based on records available		\$ 120,034.14
Adjustment for qualified expenditures from Table 33		(996.46)
Total investment allowable		119,037.68
Less:		
Deferred payments	\$ (87,587.00)	
In-kind investments	-	
No proof of payment	-	
Not directly related to production	(2,700.00)	
Subtotal unqualified		(90,287.00)
Allowable investment		28,750.68
x Tax credit percentage		25%
Calculated investment tax credits		\$ 7,187.67
Tax credit certificates issued by the Department (\$3,186,806.64 x 25%)		\$ 30,008.54
Allowable investment tax credits*		(249.12)
Excess investment tax credit certificates issued		\$ 29,759.42

* - Investment tax credits are limited to 25% of the project’s qualified expenditures.

As illustrated by the **Table**, we also adjusted the allowable investment for deferred payments. As previously stated, the amount shown as deferred payments was based on “deal memos” where individuals were promised payment of an amount contingent on the sale of the film for a specific amount. Because these payments were not made, we excluded the deferred payments from the calculation of the allowable investment tax credit.

As shown by the **Table**, the calculated investment tax credit exceeded the amount of the expenditure tax credit. As a result, the investment tax credit is limited to the amount of the expenditure tax credit.

Table 35 compares the tax credit certificate issued by the Department compared to the allowable tax credits. The variance represents the excess tax credit certificates issued for *Five Step Credit Repair*.

Table 35			
Description	Tax Credit Certificates Issued by the Department	Allowable Tax Credits	Excess Tax Credit Certificates Issued
Expenditure	\$ 30,008.54	249.12	29,759.42
Investment	30,008.54	249.12	29,759.42
Total	\$ 60,017.08	498.24	59,518.84

Because the Department and Mr. Wheeler did not perform a detailed review of the expenditures, verify the investment(s) made in the project or follow the Program rules when calculating the expenditure tax credits, the Department issued \$59,518.84 more tax credit certificates than appropriate. Redemption of the excess tax credit certificates issued will result in the State collecting \$59,518.84 less in tax revenue.

Hawthorne Direct

Hawthorne Direct is “a full service direct response agency specializing in high performance selling and branding” based out of Fairfield, Iowa. Hawthorne Direct submitted 3 project applications to the Department under the Program. The following is the brief description presented in each project’s application.

- Applica Lean Fryer (08-Film-008) – “a 30 minute infomercial on a kitchen product.”
- Haan Steam (08-Film-010) – “a 30 minute infomercial on a floor steam cleaner.”
- Applica Lean Fryer 2 (08-Film-029) - “a 30 minute infomercial on a kitchen product.”

All 3 projects were to be shot at Hawthorne’s studio in Fairfield, Iowa. The projects were to be aired on national television as 30 minute infomercials.

Hawthorne Direct produced 3 of the 8 projects for which we performed limited procedures. Because of the limited amount of tax credit certificates issued for the projects, we did not request supporting documentation from Hawthorne Direct for the expenditures or investments. Using the records available at the Department, including expenditure listings which specified vendor names and addresses, we performed the following procedures to verify the vendor was an Iowa based business or Iowa resident.

- Performed internet searches to verify the vendor had a location in Iowa. If the vendor had a location in Iowa, we considered the amount to be allowable.
- Performed internet searches to verify individuals listed had an address in Iowa.
- Identified any expenditures not allowable under the *Iowa Code* or administrative rules, including payments to out-of-state vendors, bank charges, fund raising expenditures, operating expenditures and in-kind expenditures.
- Reviewed the applications and contracts approved by the Department.

As a result of our review of the applications and contracts provided by the Department for the 3 projects, we determined the applications and contracts for the 3 projects were not signed by a representative of the Department.

We did not locate Z reports for any of the Hawthorne Direct projects. However, we located expenditure listings in the information provided by the Department for each project. We used the expenditure listings to determine if expenditures were qualified using the limited procedures previously described. We did not identify any unqualified expenditures.

However, we determined the listings provided by the Department did not match the amounts used by the Department to calculate the expenditure tax credits. We did not locate any support in the information provided which explained the difference in the amounts used.

Table 36 compares the expenditure tax credit certificates issued by the Department for each project to the allowable amount of tax credits we calculated based on our limited review of the expenditure information available.

Table 36				
Description	08-Film-008	08-Film-010	08-Film-029	Total
Total qualified expenditures	\$ 166,988.83	209,489.62	120,723.94	497,202.39
x Tax credit percentage	25%	25%	25%	25%
Allowable expenditure tax credits	\$ 41,747.21	52,372.41	30,180.99	124,300.61
Total expenditures used by the Department to calculate tax credits	\$ 171,268.83	194,640.50	140,564.04	506,473.37
x Tax credit percentage	25%	25%	25%	25%
Expenditure tax credit certificates issued by the Department	42,817.21	48,660.13	35,141.01	126,618.35
Allowable expenditure tax credits	\$ (41,747.21)	(52,372.41)	(30,180.99)	(124,300.61)
Excess/(shortage of) expenditure tax credit certificates issued	\$ 1,070.00	(3,712.28)	4,960.02	2,371.74

Table 37 compares the investment tax credit certificates issued by the Department to the allowable amount calculated in accordance with the *Code of Iowa* and based on the available information. For the calculation, we limited the investment to the total expenditures reported by Hawthorne Direct.

Table 37

Description	08-Film-008	08-Film-010	08-Film-029	Total
Total qualified investment	\$ 166,988.83	209,489.62	120,723.94	497,202.39
Adjustment for qualified expenditures	(166,988.83)	(209,489.62)	(120,723.94)	(497,202.39)
Total investment allowable	-	-	-	-
Less:	-	-	-	-
Deferred payments	-	-	-	-
In-kind investments	-	-	-	-
No proof of payment	-	-	-	-
Not directly related to production	-	-	-	-
Subtotal unqualified	-	-	-	-
Allowable investment	-	-	-	-
x Tax credit percentage	25%	25%	25%	25%
Allowable investment tax credits	\$ -	-	-	-
Investment tax credit certificates issued by the Department	\$ 42,817.21	48,660.13	35,141.01	126,618.35
Allowable investment tax credits	-	-	-	-
Excess investment tax credit certificates issued	\$ 42,817.21	48,660.13	35,141.01	126,618.35

As shown by **Table 37**, the investment amounts for all the projects equaled the qualified expenditures. As a result, the projects should not have received investment tax credit certificates. Because we did not request detail from Hawthorne Direct for the total expenditures, we did not identify any unqualified expenditures. Had we obtained the detailed records and identified unqualified expenditures, the calculation above would have resulted in a portion of the investment being allowed for investment tax credit certificates. The amount which would be allowable would be equal to any unqualified expenditures.

Table 38 compares the tax credit certificates issued by the Department compared to the allowable tax credits. The variance represents the excess tax credits issued for the 3 Hawthorne Direct projects.

Table 38

Description	08-Film-008	08-Film-010	08-Film-029	Total
Tax credit certificates issued by the Department:				
Expenditure	\$ 42,817.21	48,660.13	35,141.01	126,618.35
Investment	42,817.21	48,660.13	35,141.01	126,618.35
Total	85,634.42	97,320.26	70,282.02	253,236.70
Less allowable tax credits:				
Expenditure	(41,747.21)	(52,372.41)	(30,180.99)	(124,300.61)
Investment	-	-	-	-
Excess tax credit certificates issued	\$ 43,887.21	44,947.85	40,101.03	128,936.09

As illustrated by **Table 38**, the Department issued \$128,936.09 more tax credit certificates than appropriate for the Hawthorne Direct projects. As previously stated, the majority of the excess tax credit certificates are a result of the improper calculation of the investment tax credits and the

Department using a different amount for the expenditure tax credits than was supported by the expenditure listings included in its files.

Also as previously stated, our review was limited to the information provided by the Department. Had we requested detail from Hawthorne Direct, additional items may have come to our attention which would have been reported.

Because the Department and Mr. Wheeler did not perform a detailed review of the expenditures, verify the investment(s) made in the projects or follow the Program rules when calculating the expenditure and investment tax credits, the Department issued \$128,936.09 more tax credit certificates than appropriate. Redemption of the excess tax credit certificates issued will result in the State collecting \$128,936.09 less in tax revenue.

16 to Life

Duck Farm Films, LLC (Duck Farm Films) submitted an application for the film *16 to Life* on October 13, 2007. According to the application, *16 to Life* is a feature length film which is “a coming of age drama that combines romance, drama, humor and conflict in the lives of two sixteen year old girls who work in a small town ice cream shop.”

According to the application, Duck Farm Films estimated a total budget of \$800,000.00, of which an estimated \$600,000.00 was to be spent in Iowa. Production of the film was to occur between September 24, 2007 and November 4, 2007. The Department approved the application on November 1, 2007.

The contract was signed on February 7, 2008 by a representative of Duck Farm Films and by a representative of the Department on February 13, 2008. This would indicate the production was completed prior to the contract being signed. The *Code of Iowa* does not address whether the contract must be signed prior to production occurring. We compared the contract to the application and noted the budget amounts and the production dates included in the contract were the same as those in the application.

Duck Farm Films produced 1 of the 8 projects for which we performed limited procedures. Because of the limited amount of tax credit certificates issued for the project, we did not request supporting documentation from Duck Farm Films for the expenditures or investments. Using the records available at the Department, including expenditure listings which included very little detail other than the amount paid, the payee and, in some cases, the vendor's location, we performed the following procedures to verify the vendor was an Iowa based business or Iowa resident.

- Performed internet searches to verify the vendor had a location in Iowa. If the vendor had a location in Iowa, we considered the amount to be allowable.
- Performed internet searches to verify individuals listed had an address in Iowa.
- Identified any expenditures not allowable under the *Iowa Code* or administrative rules, including payments to out-of-state vendors, bank charges, fund raising expenses, operating expenses and in-kind expenditures.
- Reviewed the applications and contracts approved by the Department.

Duck Farm Films received expenditure tax credit certificates of \$130,685.07. The Department based the amount of the expenditure tax credits on total expenditures of \$522,740.26. Records provided by the Department included a detailed list of expenditures which reconciled to the total used by the Department in the calculation of the tax credits. **Table 39** compares the Department's calculation to the allowable amount based on our limited review of the expenditures claimed by Duck Farm Films.

Table 39

Description	Amounts
Total expenditures reported	\$ 522,740.26
Adjustments for unqualified expenditures:	
Payments to the producer and lead actors	\$ (43,769.39)
Deferred payments	-
In-kind expenditures	-
No proof of payment	-
Not directly related to production	-
Out-of-state vendor/resident	(44,055.88)
Paid but unsupported expenditures	-
Subtotal unqualified expenditures	(87,825.27)
Allowable qualified expenditures	434,914.99
x Tax credit percentage	25%
Allowable expenditure tax credits	\$ 108,728.75
Expenditure tax credit certificates issued by the Department (\$522,740.26 x 25%)	\$ 130,685.07
Allowable expenditure tax credits	(108,728.75)
Excess expenditure tax credit certificates issued	\$ 21,956.32

A Z report was required to be submitted to the Department by Duck Farm Films listing qualified expenditures incurred for the film. We were unable to locate a Z report for *16 to Life*. However, as stated previously, we located a listing submitted to the Department by Duck Farm Films which reconciled to the amount used in the tax credit calculation.

As previously stated, we did not request detailed records from Duck Farm Films. We performed the procedures listed above to identify unqualified expenditures. As illustrated by **Table 39**, we identified unqualified expenditures of \$87,825.27. This is 16.8% of the total expenditures reported for the expenditure tax credits. **Exhibit L** is a detailed listing of the unqualified expenditures and the basis for determining the payments to be unqualified. The unqualified expenditures are discussed in the following paragraphs.

- Payments to the producer and lead actors – We determined \$43,769.39 of the expenditures were unqualified based on the rules governing the Program. Of this amount, \$20,000.00 was reported as paid to the producer and \$23,769.39 was reported as paid to the lead actors. Section 15.393(2) of the *Code of Iowa* does not allow payments to the producer, director or cast members to be included in the qualified expenditures.
- Out-of-stated vendor/resident – We determined \$44,055.88 of the expenditures were paid to out-of-state vendors or residents. Of this amount, \$29,055.88 was for airfare and \$15,000.00 was for a publicity fee.

We found no evidence in the records provided by the Department documenting Mr. Wheeler performed any detailed review of the expenditures in order to determine if the expenditures qualified for the Program and were paid to an Iowa based business or Iowa resident. As stated previously, Mr. Wheeler stated he only performed “spot audits” of the expenditures.

As stated previously, we did not request detailed records from Duck Farm Films. As a result, we did not request support for the investment in the film. The contract included a listing of the project investors. However, the listing does not provide any detail regarding the amounts invested.

The Department issued \$130,685.07 of investment tax credit certificates for *16 to Life*. Originally, the Department calculated the amount of the investment tax credits to be \$132,717.49. However, this amount was later revised by the Department to \$130,685.07. The Department based the investment tax credits on total investments of \$522,740.26. In accordance with Iowa administrative rules, the basis for the tax credit calculation was to be the amount of investment adjusted for the qualified expenditures. **Table 40** compares the Department's calculation to the allowable amount based on the correct formula.

Table 40	
Description	Amounts
Total investment	\$ 522,740.26
Adjustment for qualified expenditures from Table 39	(434,914.99)
Adjusted investment	87,825.27
Less:	
Deferred payments	\$ -
In-kind investments	-
No proof of payment	-
Not directly related to production	-
Subtotal unqualified	-
Allowable investment	87,825.27
x Tax credit percentage	25%
Allowable investment tax credits	\$ 21,956.32
Investment tax credit certificates issued by the Department (\$522,740.26 x 25%)	\$ 130,685.07
Allowable investment tax credits	(21,956.32)
Excess investment tax credit certificates issued	\$ 108,728.75

Table 41 compares the tax credit certificates issued by the Department to the allowable tax credits. The variance represents the excess tax credit certificates issued for *16 to Life*.

Table 41			
Description	Tax Credit Certificates Issued by the Department	Allowable Tax Credits	Excess Tax Credit Certificates Issued
Expenditure	\$ 130,685.07	108,728.75	21,956.32
Investment	130,685.07	21,956.32	108,728.75
Total	\$ 261,370.14	130,685.07	130,685.07

The total tax credit certificates issued by the Department are 50% of the expenditures claimed by the production company (\$522,740.26 x 50%). This is consistent with Mr. Wheeler's and the Department's position of promoting the Program as "half-off film making."

Because the Department and Mr. Wheeler did not perform a detailed review of the expenditures, verify the investment(s) made in the project or follow the Program rules when calculating the expenditure tax credits, the Department issued \$130,685.07 more tax credit certificates than appropriate. Redemption of the excess tax credit certificates issued will result in the State collecting \$130,685.07 less in tax revenue.

We reviewed copies of the expenditure and investment tax credit certificates for *16 to Life* which were available from the Department. Each copy had "VOID" written across the front. Some of the copies of the certificates included transferee information and signatures which indicated the certificates were transferred. We were unable to determine if the original certificates were voided or if only the copies were intended to be marked "VOID."

Woodsmith Shop

August Home Studios, LLC. (August Home) submitted an application for a 13-episode television series called *Woodsmith Shop* on July 25, 2008. According to the application, August Home estimated a total budget of \$486,120.00, of which all \$486,120.00 was to be spent in Iowa. Production of the series was to occur between August 5, 2008 and December 31, 2008. The application was approved by the Department on July 25, 2008, which was the same day the application was received.

The contract was signed by a representative of August Home on October 8, 2008 and by a representative of the Department on December 11, 2008. We compared the contract to the application and determined the total budget and the amount to be spent in Iowa included in the contract was \$800,629.00. This is an increase of \$314,709.00 from the budget in the application.

August Home produced 1 of the 8 projects for which we performed limited procedures. Because of the limited amount of tax credit certificates issued for the project, we did not request supporting documentation from August Home for the expenditures or investments. The records available at the Department included expenditure listings for the project. However, the listings included very little detail other than the amount paid, the payee and, in some cases, the vendor's location. Using the records available from the Department, we performed the following procedures to verify the vendor was an Iowa based business or Iowa resident.

- Performed internet searches to verify the vendor had a location in Iowa. If the vendor had a location in Iowa, we considered the amount to be allowable.
- Performed internet searches to verify individuals listed had an address in Iowa.
- Identified any expenditures not allowable in accordance with the *Iowa Code* or administrative rules, including payments to out-of-state vendors, bank charges, fund raising expenses, operating expenses and in-kind expenditures.
- Reviewed the applications and contracts approved by the Department.

The Department issued \$205,469.00 of expenditure tax credit certificates to August Home for the project. The Department based the amount of the tax credits on total expenditures of \$821,876.00. Records provided by the Department included a detailed list of expenditures which totaled \$821,876.00. **Table 42** compares the Department's calculation to the allowable amount based on our limited review of the actual expenditures claimed by August Home.

Table 42

Description		Amounts
Total expenditures reported		\$ 821,876.00
Adjustments for unqualified expenditures:		
Payments to the producer and lead actors	\$	-
Deferred payments		-
In-kind expenditures		-
No proof of payment		-
Not directly related to production		-
Out-of-state vendor/resident	(110,583.00)	-
Paid but unsupported expenditures		-
Subtotal unqualified expenditures		(110,583.00)
Allowable qualified expenditures		711,293.00
x Tax credit percentage		25%
Allowable expenditure tax credits		\$ 177,823.25
Expenditure tax credit certificates issued by the Department (\$821,876.00 x 25%)		\$ 205,469.00
Allowable expenditure tax credits		(177,823.25)
Excess expenditure tax credit certificates issued		\$ 27,645.75

A Z report was required to be submitted to the Department by August Home listing qualified expenditures incurred for the project. We were unable to locate a Z report for the *Woodsmith Shop*. However, as previously stated, we located a listing submitted to the Department by August Home which included detailed expenditures. As previously stated, we did not request the detailed records from August Home. We performed the procedures listed above to identify unqualified expenditures.

As illustrated by **Table 42**, we identified unqualified expenditures which total \$110,583.00. This is 13.5% of the total expenditures reported for the expenditure tax credits. **Exhibit M** is a detailed listing of the unqualified expenditures and the basis for determining the payments to be unqualified. The unqualified expenditures consisted of payments to a vendor in California for color and audio editing. We were unable to determine the location of the other vendors and cast listed in the detail without requesting the detailed records. Had we requested the additional support, additional items may have been determined to be unqualified for the expenditure tax credits.

We found no evidence in the records provided by the Department documenting Mr. Wheeler performed any detailed review of the expenditures in order to determine if the expenditures qualified for the Program and were paid to an Iowa based business or Iowa resident. As stated previously, Mr. Wheeler stated he only performed “spot audits” of the expenditures.

As stated previously, we did not request detailed records from August Home. As a result, we did not request support for the investment in the film. While the contract included a listing of the project investors, it did not provide any detail regarding the amounts invested.

The Department did not issue an investment tax credit certificate for the project. We were unable to locate any records which document why an investment tax credit certificate was not awarded. Because the contract included information showing all the expenditures were to be in Iowa, it is reasonable any investment would equal the amount expended in Iowa. As a result, after adjusting for the qualified Iowa expenditures, there would be no investment left which would qualify for an investment tax credit. In accordance with Iowa administrative rules, the basis for the tax credit calculation was to be the amount of investment adjusted for the qualified expenditures.

Table 43 compares the Department's calculation to the allowable amount based on the correct formula if August Home was to receive an investment credit.

Table 43	
Description	Amounts
Total investment	\$ 821,876.00
Adjustment for qualified expenditures from Table 42	(711,293.00)
Adjusted investment	110,583.00
Less:	
Deferred payments	\$ -
In-kind investments	-
No proof of payment	-
Not directly related to production	-
Subtotal unqualified	-
Allowable investment	110,583.00
x Tax credit percentage	25%
Allowable investment tax credits	\$ 27,645.75
Investment tax credit certificates issued by the Department (\$821,876.00 x 0%)	\$ -
Allowable investment tax credits	(27,645.75)
Shortage of investment tax credit certificates issued	\$ (27,645.75)

Table 44 compares the tax credit certificates issued by the Department to the allowable tax credits. The variance represents the excess tax credit certificates issued for *Wood Smith Shop*.

Table 44			
Description	Tax Credit Certificates Issued by the Department	Allowable Tax Credits	Excess/(Shortage of) Tax Credit Certificates Issued
Expenditure	\$ 205,469.00	177,823.25	27,645.75
Investment	-	27,645.75	(27,645.75)
Total	\$ 205,469.00	205,469.00	-

The Department failed to award the correct amount of expenditure and investment tax credit certificates as a result of Mr. Wheeler's not performing a detailed review of the expenditures, verifying the investment(s) made in the project or following the Program rules when calculating the tax credits. However, the amount of the excess expenditure tax credit certificate is offset by the amount of the allowable investment tax credit certificate which was not issued.

Sugar

Single A Films, Inc. (Single A Films) submitted an application for the film *Sugar* on August 22, 2007. According to the application, *Sugar* is a feature length film on the life of "Miguel Santos, a.k.a. Sugar, a Dominican pitcher from Sa Pedro de Macoris struggling to make it in the big leagues."

According to the application, Single A Films estimated a total budget of \$6,400,000.00, of which an estimated \$800,000.00 was to be spent in Iowa. Production of the film was to occur between July 19, 2007 and September 12, 2007. The Department approved the application on September 6, 2007.

The contract was signed by a representative of Single A Films on December 24, 2007 and by a representative of the Department on December 26, 2007. The dates indicate the production was completed prior to the contract being signed. We compared the contract to the application and noted the budget amounts and the production dates included in the contract were the same as those in the application.

Single A Films produced 1 of the 8 projects for which we performed limited procedures. Because of the limited amount of tax credits issued for the project, we did not request supporting documentation from Single A Films for the expenditures or investments. The records available at the Department included expenditure listings for the project. However, the listings included very little detail other than the amount paid, the payee and, in some cases, the vendor's location. Using the records available from the Department, we performed the following procedures to verify the vendor was an Iowa based business or Iowa resident.

- Performed internet searches to verify the vendor had a location in Iowa. If the vendor had a location in Iowa, we considered the amount to be allowable.
- Performed internet searches to verify individuals listed had an address in Iowa.
- Identified any expenditures not allowable by the *Iowa Code* or administrative rules, including payments to out-of-state vendors, bank charges, fund raising expenses, operating expenses and in-kind expenditures.
- Compared the listing of vendor and cast addresses to the detailed expenditure list to identify out-of-state vendors and cast who do not qualify for the tax credit.
- Reviewed the applications and contracts approved by the Department.

The Department issued expenditure tax credit certificates of \$177,536.95 to Single A Films. The Department based the amount of the tax credits on total expenditures of \$710,147.81. Records provided by the Department included a detailed list of expenditures which totaled \$709,157.17. **Table 45** compares the Department's calculation to the allowable amount based on our limited review of the actual expenditures claimed by Single A Films.

Table 45

Description		Amounts
Total expenditures reported		\$ 709,157.17
Adjustments for unqualified expenditures:		
Payments to the producer and lead actors	\$ -	
Deferred payments	-	
In-kind expenditures	-	
No proof of payment	-	
Not directly related to production	-	
Out-of-state vendor/resident	(3,606.41)	
Paid but unsupported expenditures	-	
Subtotal unqualified expenditures		(3,606.41)
Allowable qualified expenditures		705,550.76
x Tax credit percentage		25%
Allowable expenditure tax credits		\$ 176,387.69
Expenditure tax credit certificates issued by the Department (\$710,147.81 x 25%)		\$ 177,536.95
Allowable expenditure tax credits		(176,387.69)
Excess expenditure tax credit certificates issued		\$ 1,149.26

A Z report was required to be submitted to the Department by Single A Films listing qualified expenditures incurred for the film. We were unable to locate a Z report for *Sugar*. As stated previously, we located a listing submitted to the Department by Single A Films which included detailed expenditures. We also located 2 listings of addresses for the vendors and cast used in the film.

As previously stated, we did not request detailed records from Single A Films. We performed the procedures listed above to identify unqualified expenditures. As illustrated by **Table 45**, we identified unqualified expenditures totaling \$3,606.41. This is 0.5% of the total expenditures reported as qualified for the expenditure tax credits. **Exhibit N** is a detailed listing of the unqualified expenditures and the basis for determining the payments to be unqualified. The unqualified expenditures consisted of a payment to a resident who lived in Florida.

We found no evidence in the records provided by the Department documenting Mr. Wheeler performed any detailed review of the expenditures in order to determine if the expenditures qualified for the Program and were paid to an Iowa based business or Iowa resident. As stated previously, Mr. Wheeler stated he only performed “spot audits” of the expenditures.

As stated previously, we did not request detailed records from Single A Films. As a result, we did not request support for the investment in the film. The contract included a listing of the project investors. However, the listing does not provide any detail on the amounts invested.

The Department did not issue investment tax credit certificates for *Sugar*. We were unable to locate any records indicating why investment tax credit certificates were not awarded. In accordance with Iowa administrative rules, the basis for the investment tax credit calculation was to be the amount of investment adjusted for the qualified expenditures. **Table 46** compares the Department’s calculation to the allowable amount based on the correct formula.

		Table 46
Description		Amounts
Total investment		\$ 709,157.17
Adjustments for qualified expenditures from Table 45		(705,550.76)
Adjusted investment		3,606.41
Less:		
Deferred payments	\$ -	
In-kind investments	-	
No proof of payment	-	
Not directly related to production	-	
Subtotal unqualified		-
Allowable investment		3,606.41
x Tax credit percentage		25%
Allowable investment tax credits		\$ 901.60
Investment tax credit certificates issued by the Department (\$710,147.81 x 0%)		\$ -
Allowable investment tax credits		(901.60)
Shortage of investment tax credit certificates issued		\$ (901.60)

Table 47 compares the tax credit certificates issued by the Department to the allowable tax credits. The variance represents the excess tax credit certificates issued for *Sugar*.

Table 47			
Description	Tax Credit Certificates Issued by the Department	Allowable Tax Credits	Excess/(Shortage of) Tax Credit Certificates Issued
Expenditure	\$ 177,536.95	176,387.69	1,149.26
Investment	-	901.60	(901.60)
Total	\$ 177,536.95	177,289.29	247.66

Because the Department and Mr. Wheeler did not perform a detailed review of the expenditures, verify the investment(s) made in the project or follow the Program rules when calculating the expenditure tax credits, the Department issued \$247.66 more tax credit certificates than appropriate. Redemption of the excess tax credit certificates will result in the State collecting \$247.66 less in tax revenue.

We reviewed the copy of the expenditure tax credit certificate issued for *Sugar* which was available from the Department. The copy did not include a signature of a Department representative.

The Final Season

Final Season Inc. submitted an application for *The Final Season*, a feature length film about “the Norway, Iowa high school baseball team which won its 20th State Championship amidst a controversial but successful effort to merge the school district with a larger district.” According to the application, Final Season Inc. estimated a total budget of \$7,000,000.00, of which \$2,000,000.00 was to be spent in Iowa. Production of the film was to occur between May 30, 2006 and September 30, 2007. The application was approved by the Department on January 8, 2008.

The contract was signed by a representative of Final Season Inc. on January 14, 2008 and by a representative of the Department on May 30, 2008. According to IMDB.com, a website which tracks movies, the *Final Season* was released on October 12, 2007. This was 3 months prior to the date of the Final Season Inc. representative’s signature on the contract and 7 months prior to the date of the Department representative’s signature on the application. The film was allowed to apply for the tax credits because section 15.393 of the *Code of Iowa* was made retroactive to tax years beginning after January 1, 2007. Any film completed after this date was allowed to apply. We compared the contract to the application and determined the total budget, amount to be spent in Iowa and the production dates agreed to the application approved by the Department.

Final Season produced 1 of the 8 projects for which we performed limited procedures. Because of the limited amount of tax credits issued for the project, we did not request supporting documentation from Final Season Inc. for the expenditures or investments. The records available at the Department included expenditure listings for the project. However, the listings included very little detail other than the amount paid, the payee and, in some cases, the vendor’s location. Using the records available from the Department, we performed the following procedures to verify the vendor was an Iowa based business or Iowa resident.

- Performed internet searches to verify the vendor had a location in Iowa. If the vendor had a location in Iowa, we considered the amount to be allowable.
- Performed internet searches to verify individuals listed had an address in Iowa.

- Identified any expenditures not allowable under the *Iowa Code* or administrative rules, including payments to out-of-state vendors, bank charges, fund raising expenses, operating expenses and in-kind expenditures.
- Reviewed the applications and contracts approved by the Department.

The Department issued expenditure tax credit certificates of \$75,712.36 for *Final Season*. The Department based the amount of the tax credits on total expenditures of \$302,849.45. Records provided by the Department included a detailed list of expenditures which totaled \$302,849.45. This is 15.1% of the estimated \$2,000,000.00 to be spent in Iowa included in the application and contract. **Table 48** compares the Department's calculation to the allowable amount based on our limited review of the actual expenditures claimed by Final Season.

Table 48	
Description	Amounts
Total expenditures reported	\$ 302,849.45
Adjustments for unqualified expenditures:	
Payments to the producer and lead actors	\$ -
Deferred payments	-
In-kind expenditures	-
No proof of payment	-
Not directly related to production	(269.33)
Out-of-state vendor/resident	(300.00)
Paid but unsupported expenditures	-
Subtotal unqualified expenditures	(569.33)
Allowable qualified expenditures	302,280.12
x Tax credit percentage	25%
Allowable expenditure tax credits	\$ 75,570.03
Expenditure tax credit certificates issued by the Department (\$302,849.45 x 25%)	\$ 75,712.36
Allowable expenditure tax credits	(75,570.03)
Excess expenditure tax credit certificates issued	\$ 142.33

A Z report was required to be submitted to the Department by Final Season Inc. listing qualified expenditures incurred for the film. We were unable to locate a Z report for *The Final Season*. As stated previously, we located a listing submitted to the Department by Final Season which included detailed expenditures. As previously stated, we did not request detailed records from Final Season. We performed the procedures listed above to identify unqualified expenditures.

As illustrated by **Table 48**, we identified unqualified expenditures which total \$569.33. This is 0.2% of the total expenditures reported for the expenditure tax credits. **Exhibit O** is a detailed listing of the expenditures which were made to out-of-state vendors or residents. The remaining unqualified expenditures include \$269.33 of banking fees and interest charges which are not directly related to production. Had we requested additional support, additional items may have been determined to be unqualified for the expenditure tax credit.

We found no evidence in the records provided by the Department documenting Mr. Wheeler performed any detailed review of the expenditures in order to determine if the expenditures

qualified for the Program and were paid to an Iowa based business or Iowa resident. As stated previously, Mr. Wheeler stated he only performed “spot audits” of the expenditures.

As stated previously, we did not request detailed records from Final Season. As a result, we did not request support for the investment in the film. The contract did include a listing of the project investors. However, the listing does not provide any detail on the amounts invested.

The Department issued an investment tax credit certificate of \$75,712.36 for *The Final Season*. We were unable to locate any support for the Department’s investment tax credit calculation in the records provided by the Department. In accordance with administrative rules, the basis for the investment tax credit calculation was to be the amount of investment adjusted for the qualified expenditures. **Table 49** compares the Department’s calculation to the allowable amount based on the correct formula.

Table 49	
Description	Amounts
Total investment	\$ 302,849.45
Adjustment for qualified expenditures from Table 48	(302,280.12)
Adjusted investment	569.33
Less:	
Deferred payments	\$ -
In-kind investments	-
No proof of payment	-
Not directly related to production	-
Subtotal unqualified	-
Allowable investment	569.33
x Tax credit percentage	25%
Allowable investment tax credits	\$ 142.33
Investment tax credit certificates issued by the Department (\$302,849.45 x 0%)	\$ 75,712.36
Allowable investment tax credits	(142.33)
Excess investment tax credit certificates issued	\$ 75,570.03

Table 50 compares the tax credit certificates issued by the Department to the allowable tax credits. The variance represents the excess tax credit certificates issued for *The Final Season*.

Table 50			
Description	Tax Credit Certificates Issued by the Department	Allowable Tax Credits	Excess Tax Credit Certificates Issued
Expenditure	\$ 75,712.36	75,570.03	142.33
Investment	75,712.36	142.33	75,570.03
Total	\$ 151,424.72	75,712.36	75,712.36

The total tax credit certificates issued by the Department are 50% of the expenditures claimed by the production company (\$302,849.45 x 50%). This is consistent with Mr. Wheeler's and the Department's position of promoting the Program as "half-off film making."

Because the Department and Mr. Wheeler did not perform a detailed review of the expenditures, verify the investment(s) made in the project or follow the Program rules when calculating the expenditure tax credits, the Department issued \$75,712.36 more tax credit certificates than appropriate. Redemption of the excess tax credit certificates issued will result in the State collecting \$75,712.36 less in tax revenue.

Madama Butterfly

The Cedar Rapids Opera Theater (Cedar Rapids Opera) submitted an application on September 10, 2008 for *Madama Butterfly*. According to the application, *Madama Butterfly* was to be a "fully staged production of Puccini's classic opera." The production was to be broadcast on public television and a DVD produced for sale over the internet and through Iowa Public Television. According to the application, the Cedar Rapids Opera estimated a total budget of \$242,940.00, all of which was to be spent in Iowa. Production was to occur between January 16, 2009 and January 18, 2009. The application was approved by the Department on September 10, 2008, the same day the application was signed by a representative of the Cedar Rapids Opera.

The contract was signed by a representative of the Cedar Rapids Opera on October 15, 2008 and by a representative of the Department on October 20, 2008. We compared the contract to the application and noted the total budget, amount to be spent in Iowa and the production dates agreed to the application approved by the Department.

The Cedar Rapids Opera produced 1 of the 8 projects for which we performed limited procedures. Because of the limited amount of the tax credit certificates issued for the project, we did not request supporting documentation from the Cedar Rapids Opera for the expenditures. The records available at the Department included expenditure listings for the project. However, the listings included very little detail other than the amount paid, the payee and, in some cases, the vendor's location. Using the records available from the Department, we performed the following procedures to verify the vendor was an Iowa based business or Iowa resident.

- Performed internet searches to verify the vendor had a location in Iowa. If the vendor had a location in Iowa, we considered the amount to be qualified.
- Performed internet searches to verify individuals listed had an address in Iowa.
- Identified any expenditures not allowable by the *Iowa Code* or administrative rules, including payments to out-of-state vendors, bank charges, fund raising expenses, operating expenses and in-kind expenditures.
- Reviewed the applications and contracts approved by the Department.

The Department issued expenditure tax credit certificates of \$100,378.00 to the Cedar Rapids Opera. The Department based the amount of the expenditure tax credits on total expenditures of \$200,756.00 multiplied by 50% instead of the allowable 25%. Records provided by the Department included a summary of expenditures which totaled \$235,697.70, including in-kind expenditures of \$47,450.00, and a detailed list of expenditures which totaled \$192,459.88. We were unable to locate any support for the amount used by the Department to calculate the expenditure tax credits. **Table 51** compares the Department's calculation to the allowable amount based on our limited review of the actual expenditures claimed by Cedar Rapids Opera.

Table 51

Description		Amounts
Total expenditures reported		\$ 235,697.70
Adjustments for unqualified expenditures:		
Payments to the producer and lead actors	\$	-
Deferred payments		-
In-kind expenditures		(47,450.00)
No proof of payment		-
Not directly related to production		(50,774.71)
Out-of-state vendor/resident		(2,080.00)
Paid but unsupported expenditures		-
Subtotal unqualified expenditures		(100,304.71)
Allowable qualified expenditures		135,392.99
x Tax credit percentage		25%
Allowable expenditure tax credits		\$ 33,848.25
Expenditure tax credit certificates issued by the Department (\$302,849.45 x 25%)		\$ 100,378.00
Allowable expenditure tax credits		(33,848.25)
Excess expenditure tax credit certificates issued		\$ 66,529.75

A Z report was required to be submitted to the Department by the Cedar Rapids Opera listing qualified expenditures incurred for the film. While we were unable to locate a Z report for *Madama Butterfly*, we located a listing submitted to the Department by the Cedar Rapids Opera which included detailed expenditures. As previously stated, we did not request detailed records from the Cedar Rapids Opera. We performed the procedures listed above to identify unqualified expenditures.

As illustrated by **Table 51**, we identified unqualified expenditures which total \$100,304.71. This is 42.6% of the total expenditures reported for the expenditure tax credits. **Exhibit P** is a detailed listing of the unqualified expenditures and the basis for determining the payments to be unqualified. The unqualified expenditure are discussed in the following paragraphs.

- In-kind expenditures – We determined \$47,450.00 was claimed by the Cedar Rapids Opera as in-kind expenditures. According to the Opera’s former Treasurer, the amount claimed was based on discussions with Mr. Wheeler. The following paragraphs identify the expenditures claimed and their basis according to the former Treasurer.
 - Housing for cast members - \$22,500.00. According to the former Treasurer, cast members stayed with host families and lodging costs were not incurred. Because lodging costs were not incurred, Mr. Wheeler told him to use an average rate for local hotels multiplied by the number of days cast members stayed with the host families to calculate the amount of lodging costs to claim for tax credits.
 - Salaries - \$24,950.00. The in-kind expenditures claimed included \$10,000.00 for the Board Treasurer, \$5,000.00 for the Board President, \$2,500.00 for the Board Secretary and \$7,450.00 for the “props lady” and development. According to the former Treasurer, the salaries claimed were not actually paid by the Cedar Rapids Opera because those positions are held by volunteers. The salaries claimed reflect

the portion of the individual positions' annual salary that would have been allocated to *Madama Butterfly* if the position had been filled by a paid employee.

- Not directly related to production – We determined \$50,774.71 of expenditures were not directly related to the production. This amount includes \$21,610.29 of bank fees and charges, \$16,444.35 of fundraising expenditures and \$12,702.07 of general operating expenditures. General operating expenditures include salaries of administration staff, rent, utilities and other charges not related to production of the film. These charges are normal operating expenses for the Cedar Rapids Opera and would have been incurred regardless of the project being undertaken.
- Out-of-state vendor/resident – We determined \$2,080.00 of expenditures were payments to 2 out-of-state vendors.

We found no evidence in the records provided by the Department documenting Mr. Wheeler performed any detailed review of the expenditures in order to determine if the expenditures qualified for the Program and were paid to an Iowa based business or Iowa resident. As stated previously, Mr. Wheeler stated he only performed “spot audits” of the expenditures.

As stated previously we did not request detailed records, including investment records, from the Cedar Rapids Opera. However, according to Appendix B of the contract between the Department and the Cedar Rapids Opera, the Cedar Rapids Opera was the investor in the production.

The Department did not issue an investment tax credit certificate for *Madama Butterfly*. We were unable to locate any records indicating why Cedar Rapids Opera was not awarded an investment tax credit certificate. In accordance with Iowa administrative rules, the basis for the investment tax credit calculation was to be the amount of investment adjusted for qualified expenditures. **Table 52** compares the Department's calculation to the allowable amount based on the correct formula.

		Table 52
Description		Amounts
Total investment		\$ 235,697.70
Adjustments for qualified expenditures from Table 51		(135,392.99)
Adjusted investment		100,304.71
Less:		
Deferred payments	\$ -	
In-kind investments	(47,450.00)	
No proof of payment	-	
Not directly related to production	(29,164.42)	
Subtotal unqualified		(76,614.42)
Allowable investment		23,690.29
x Tax credit percentage		25%
Allowable investment tax credits		\$ 5,922.57
Investment tax credit certificates issued by the Department (\$200,756.00 x 0%)		\$ -
Allowable investment tax credits		(5,922.57)
Shortage of investment tax credit certificates issued		\$ (5,922.57)

In addition to the adjustment for the qualified expenditures, we adjusted the allowable investment for in-kind investments. In-kind investments are an allowable form of investment only if the investor receives an equity investment in the project rather than goods or services. Because the production company also claimed these as in-kind expenditures and we could not locate any support for the value of the services claimed, we did not allow an investment for the amount of the in-kind reported by the Cedar Rapids Opera.

As shown by the **Table**, the Department should have issued an investment tax credit certificate of \$5,922.57.

Table 53 provides a summary of the total tax credit certificates issued by the Department compared to the allowable tax credits. The net total variance represents the excess tax credit certificates issued for *Madama Butterfly*.

Table 53			
Description	Tax Credit Certificates Issued by the Department	Allowable Tax Credits	Excess/(Shortage of) Tax Credit Certificates Issued
Expenditure	\$ 100,378.00	33,848.25	66,529.75
Investment	-	5,922.57	(5,922.57)
Total	\$ 100,378.00	39,770.82	60,607.18

Because the Department and Mr. Wheeler did not perform a detailed review of the expenditures, verify the investment(s) made in the project or follow the Program rules when calculating the expenditure tax credit, the Department issued \$53,316.07 more in tax credit certificates than appropriate. Redemption of the excess tax credit certificates issued will result in the State collecting \$53,316.07 less in tax revenue.

Recommended Control Procedures

As part of our investigation, we reviewed the procedures used by the Department of Economic Development to administer the Film, Television and Video Project Promotion Program. An important aspect of internal control is to establish procedures which provide accountability for assets susceptible to loss from error and irregularities. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance errors or irregularities will be noted within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen the Department's internal controls.

As previously stated, the Program was suspended on September 18, 2009 at the Governor's direction. Governor Culver has indicated the Program will not be reinstated. While the following findings were identified as a result of our review of the Film, Television and Video Project Promotion Program administered by the Department of Economic Development, the recommendations are appropriate for all tax credit programs administered by various State agencies.

- A. Program Administration – Section 15.393 of the *Code of Iowa* states, in part, “The Department shall establish and administer a film, television, and video project promotion program that provides for the registration of projects to be shot on location in the state. A project that is registered under the program is entitled to the assistance provided in subsection 2.” Subsection 2 establishes the expenditure and investment tax credits.

Department officials did not develop appropriate policies, procedures and administrative rules which allowed for effective administration of the Program.

Recommendation – If the Program is reinstated, the Department should develop and implement policies, procedures and administrative rules which allow for effective administration of the Program and properly address the concerns identified throughout this report.

- B. Application Process - The *Code of Iowa* requires each project to register and be approved by the Department. Companies register with the Department by completing and submitting an application. The *Code of Iowa* requires a project meet the following criteria prior to being approved by the Department:

- The project is a legitimate effort to produce an entire film, television or video episode or a film, television or video segment in the State.
- The project will include expenditures of at least \$100,000.00 in the State and have an economic impact on the economy of the State or locality sufficient to justify assistance provided by the Program.
- The project will further tourism, economic development and population retention or growth in the State or locality.
- Other criteria established by rule relating to the economic impact and promotional aspect of the project on the State or locality.

During our review of the application process, we identified the following concerns:

- Applications were only reviewed by Mr. Wheeler. However, beginning in July 2008, Mr. Wheeler was to present information from the applications to the Division Coordinator and Division Administrator. According to Department staff we spoke with, these meetings were not always held.

- The applications or support maintained by the Department did not show any indications the Department considered whether the project would further tourism, economic development or population retention or growth. The only indication of any economic impact was the amount the film was to spend in Iowa.
- Prior to July 2008, the Department's Board of Directors was not involved in administration of the Program. The Board was unaware of the number or type of projects for which applications had been submitted or an estimate of the amount of tax credit certificates which could be issued. During July 2008, the Director began providing information to the Board of Directors regarding the films which had been approved for the Program. The Board was not required to take any action on the information. Providing the information was intended only to keep the Board informed on the progress of the Program.
- Other than information included in the administrative rules, Department staff was unable to provide any written procedures regarding administration of the Program. While the Division Coordinator provided a copy of draft procedures which were to be effective in July 2008, the procedures were never formally approved.
- The application includes a section where a production company can request information in the application be considered confidential in accordance with section 22.7 of the *Code of Iowa*.

The confidentiality section includes preprinted information and allows the production company to simply check a box stating why the information should be considered confidential. For each application reviewed, the production company identified section 22.7(6) of the *Code of Iowa* as the basis for requesting confidentiality. This section provides for confidentiality to avoid providing an advantage to a competitor. The only portion of the application and contract which appears confidential in nature is the names of the investors included in the appendixes.

Recommendation – The Department should review the application process and develop policies and procedures to document the economic impact of the project.

The Department should implement procedures which ensure compliance with the established criteria is documented during the application process. Procedures should also be implemented which ensure applications are reviewed by more than 1 person and the review process is clearly documented. All procedures developed to administer the Program should be written and formally approved by Department officials.

In addition, the Department should ensure the reasons the applicant has requested the application information be kept confidential are complete, reasonable and appropriate. Confidentiality should not be granted on the basis of checking a box on an application form.

- C. Contracting - After registering and being approved for the Program, the Department and the production company enter into a contract. The contract is to go through the "CRO" (review) process prior to being signed by the Director, which requires a contract or amendment to a contract be reviewed by the Bureau Chief originating the contract, the Fiscal Bureau and the Department's in-house legal counsel.

Mr. Wheeler did not follow the "CRO" process when submitting a contract or an amendment for approval.

Recommendation – The Department should review the contracting process and develop policies and procedures to ensure all contracts and amendments follow the "CRO" process and are reviewed and approved by the appropriate Bureau Chief, Fiscal Bureau and in-house legal counsel.

- D. Department Review – The *Code of Iowa* requires the Department to verify the eligibility of expenditures reported by production companies prior to issuing a tax credit certificates. The administrative rules for the Program do not include any procedures regarding the verification of the expenditures. According to Department staff, all expenditures were reviewed by Mr. Wheeler.

According to Mr. Wheeler, he did not verify the expenditures claimed by the production companies. He performed only “spot audits” for which he confirmed certain payments with vendors by e-mail. In some cases, the confirmation e-mail was sent by the production company to the vendor with a request to forward the response to Mr. Wheeler.

Reports submitted by the production companies did not provide adequate detail to determine if the expenditures qualified for the expenditure tax credits. In most cases, critical information, such as the location of the vendor or the state of residency of the cast and crew, were not included. The Department also did not attempt to verify expenditures claimed were actually paid.

We located several boxes of detailed records at the Department which had been submitted by production companies but were never opened. If the contents of the boxes had been reviewed, Mr. Wheeler would have identified expenditures which did not qualify for expenditure tax credits, including payments to out-of-state vendors.

Recommendation – The Department should develop and implement written policies and procedures for the review and verification of expenditures to ensure they are qualified for the expenditure tax credits and ensure the Department does not issue tax credit certificates for unqualified expenditures. Verification procedures should include:

- ensuring the payments reported have actually been made,
- reviewing documentation to support the payments (invoices, receipts or other appropriate documentation),
- ensuring the expenditure complies with requirements established by the *Code of Iowa* and the Department and
- identifying the vendors to whom the payments were made and determining whether the vendor is an Iowa resident or an Iowa based business.

The review and verification should be clearly documented and maintained.

- E. Calculation of Expenditure Tax Credits – The *Code of Iowa* defines a qualified expenditure as “a payment to an Iowa resident or Iowa based business for the sale, rental or furnishing of tangible personal property or for services directly related to the registered project.” Expenditures which are qualified and meet the requirements of the Program are allowed to receive a 25% expenditure tax credit.

The Department did not review the expenditures reported by the production companies to determine if they met these requirements. As a result, expenditure tax credit certificates were issued for items which do not qualify for expenditure tax credits. The following items were improperly allowed for expenditure tax credits:

- Deferred payments – Program rules require an expenditure to be paid in order to qualify for a tax credit. Deferred payments have not been paid.
- In-kind expenditures – In-kind expenditures represent donated goods or services or an exchange of promotional services. There is no payment for the goods or services and, therefore, they do not qualify for tax credits.

- Out-of-state expenditures – Program rules require payments be made to Iowa based businesses or Iowa residents. Payments to vendors operating outside of Iowa and individuals who do not live in Iowa do not qualify for an expenditure tax credit.
- Not directly related to production – The Department allowed payments for commissions on the sale of tax credit certificates and advertising and marketing of the film to be claimed for an expenditure tax credit. These items are not directly related to the production of a film and do not qualify for an expenditure tax credit.
- No proof of payment – The Department allowed expenditures to be claimed when no proof of payment was provided.
- Estimated expenditures – The Department calculated tax credits using amounts which included expenditures which had not yet been paid but were included on the reports submitted by the production companies as payables.

In addition, the Department issued expenditure tax credit certificates for 50% of the expenditures reported for the following projects rather than the 25% allowed by the *Code of Iowa*.

- *The Scientist*
- *South Dakota*
- *Peacock*
- *Children of the Corn*

Because Department staff did not properly review the expenditures claimed by the production companies, the Department issued \$15,155,399.06 more expenditure tax credit certificates than appropriate. Redemption of the excess tax credit certificates will result in the State collecting \$15,155,399.06 less in tax revenue.

Recommendation – As stated previously, the Department should develop and implement written policies and procedures for the review and verification of all expenditures to ensure they are qualified for the expenditure tax credits and ensure the Department does not issue tax credit certificates for unqualified expenditures. **Finding D** includes specific recommendations for verification procedures.

- F. Calculation of Investment Tax Credits – The *Code of Iowa* provides for an investment tax credit “equal to 25% of the investment in the project, except that the tax credit shall not exceed 25% of the qualified expenditures on the project.” Guidance provided by the Department on December 22, 2009 states, “the expenditures used to form the basis of the investment tax credit must not have been used to form the basis of the qualified expenditure credit.”

The Department calculated the investment tax credits using the total expenditures claimed by the production company without adjusting for the qualified expenditures for which expenditure tax credits were issued. In addition, the Department did not verify the amount invested in the project.

In addition, the Department did not issue an investment tax credit certificate for certain projects. Instead, the Department issued expenditure tax credit certificates based on 50% of the expenditures claimed rather than the 25% allowed by the *Code of Iowa*. However, because unqualified expenditures were claimed, the additional 25% of expenditure tax credit certificates issued was not offset by the 25% of investment tax credit certificates which were not issued for the following projects:

- *The Scientist*
- *South Dakota*
- *Peacock*
- *Children of the Corn*

By not verifying the amount invested and not deducting the qualified expenditures for which expenditure tax credit certificates were issued, the Department issued

\$10,420,901.44 more investment tax credit certificates than appropriate. Redemption of the excess tax credit certificates issued will result in the State not collecting \$10,420,901.44 less in tax revenue.

Recommendation – The Department should develop and implement policies and procedures for the review and verification of investments to ensure compliance with the *Code of Iowa* and ensure the Department does not improperly issue investment tax credit certificates. The review and verification should be clearly documented and maintained.

G. Issuance and Transfer of Tax Credit Certificates – In accordance with sections 15.393(2)(a)(3) and 15.393(2)(b)(2) of the *Code of Iowa*, after verifying the eligibility for a tax credit, the Department is to issue a tax credit certificate to be attached to a tax return. The Department did not maintain a copy of all tax credit certificates issued. Based on our review of the copies available, we identified the following concerns:

- The tax credit certificates were printed on plain paper in a manner which did not prevent improper duplication.
- The tax credit certificates were not sequentially numbered or controlled in a similar manner.
- The tax credit certificates were not consistently issued intact. We identified instances in which multiple tax credit certificates were issued for the same project.

Sections 15.393(2)(a)(3) and 15.393(2)(b)(2) of the *Code of Iowa* also allow the transfer (sale) of the expenditure and investment tax credit certificates issued by the Department for the Program. According to the *Code*, “Within ninety days of transfer, the transferee shall submit the transferred tax credit certificate to the Department of Revenue along with a statement containing the transferee’s name, tax identification number, and address, and the denomination that each replacement tax credit certificate is to carry and any other information required by the Department of Revenue. Within thirty days of receiving the transferred tax credit certificate and the transferee’s statement, the Department of Revenue shall issue one or more replacement tax credit certificates to the transferee.”

However, when tax credit certificates issued by the Department for the Program were sold and transferred to the new owner, the replacement certificates were issued by the Department rather than the Department of Revenue. In addition, a Department representative did not file transferred certificates with the Department of Revenue. A Department representative completed the transfer portion of the certificate and sent a new certificate to the transferee for the following projects:

- *Changing Horses*
- *Twelve Thirty*
- *Peacock*
- *Children of the Corn*
- *The Scientist*

In addition, based on the copies of tax credit certificates available from the Department, it appears certain tax credit certificates were not initially issued to the production companies and/or investors. Instead, the tax credit certificates were initially issued to parties which purchased them from the production companies or investors prior to their original issuance. For instance, the expenditure tax credit certificate for *Peacock* appear to have been issued on 10 tax credit certificates in amounts ranging from \$15,000.00 to \$1,400,859.00. The parties which had purchased the tax credit certificates from the production company were listed as the transferee on the original tax credit certificates.

Because tax credit certificates issued by the Department were not controlled in any manner and a Department representative issued the replacement tax credit certificates but

did not notify the Department of Revenue, tax credit certificates may have been duplicated and subsequently claimed by more than 1 taxpayer.

Recommendation – The members of the General Assembly should consider revising the *Code of Iowa* to require the original tax credit certificates for the Program and any replacements be issued by the Department of Revenue rather than the Department of Economic Development.

If the *Code of Iowa* is not changed, the Department should develop and implement policies and procedures which ensure the tax credit certificates issued by the Department are controlled and prepared in a manner which prevents improper duplication. In addition, all tax credit certificates should be issued intact to the appropriate production company or investor.

The Department should also develop and implement policies and procedures which ensure compliance with requirements established by the *Code of Iowa* if the tax credit certificates are subsequently transferred.

Exhibits

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Completed Projects with Tax Credit Certificate Amounts
For the Period May 14, 2007 through September 21, 2009

Project Number	Production Company	Project Title
08-FILM-001	Changing Horses Productions	<i>Saddle Up with Dennis Brouse</i>
08-FILM-002	Changing Horses Productions	<i>Saddle Up with Dennis Brouse</i>
08-FILM-032	Changing Horses Productions	<i>Saddle Up with Dennis Brouse</i>
08-FILM-027	Changing Horses Productions	<i>Saddle Up Documentary DVDs</i>
08-FILM-020	Changing Horses Productions	<i>Saddle Up with Dennis Brouse</i>
09-FILM-012	Iowa Film Production Services	<i>Splatter</i>
08-FILM-038	Iowa Film Production Services	<i>The Offering</i>
08-FILM-015	Ticket Out Productions	<i>Ticket Out</i>
08-FILM-005	Cornfield Productions	<i>Peacock</i>
08-FILM-011	Polynation Pictures	<i>The Scientist</i>
08-FILM-004	LionHeart Films	<i>South Dakota</i>
09-FILM-002	Twelve Thirty Productions	<i>Twelve Thirty</i>
08-FILM-018	Children of the Corn Productions, Corp.	<i>Children of the Corn</i>
09-FILM-010	Mississippi Films	<i>Five Step Credit Program</i>
08-FILM-008	Hawthorne Direct	<i>Applica Lean Fryer</i>
08-FILM-010	Hawthorne Direct	<i>Haan Steam Products</i>
08-FILM-029	Hawthorne Direct	<i>Applica Lean Fryer 2</i>
07-FILM-002	Duck Farm Films	<i>16 to Life</i>
08-FILM-036	August Home Studios, LLC	<i>The Woodsmith Shop 2</i>
07-FILM-001	Single A Films	<i>Sugar</i>
08-FILM-003	Final Season, Inc.	<i>The Final Season</i>
08-FILM-014	Cedar Rapids Opera Theatre	<i>Madama Butterfly</i>
	Total	

Note: This schedule was provided by DED.

Expenditure Tax Credit Certificates Issued	Investment Tax Credit Certificates Issued	Total Tax Credit Certificates Issued
\$ -	1,955,606.50	1,955,606.50
-	1,194,578.50	1,194,578.50
1,904,575.00	-	1,904,575.00
1,533,639.00	1,533,639.00	3,067,278.00
574,161.50	574,161.50	1,148,323.00
2,417,231.00	2,417,231.00	4,834,462.00
796,701.66	796,701.66	1,593,403.32
2,919,953.50	2,919,953.50	5,839,907.00
3,209,390.06	-	3,209,390.06
1,850,777.85	-	1,850,777.85
1,678,341.69	-	1,678,341.69
629,698.25	629,698.25	1,259,396.50
1,222,169.07	-	1,222,169.07
30,008.54	30,008.54	60,017.08
42,817.21	42,817.21	85,634.42
48,660.13	48,660.13	97,320.26
35,141.01	35,141.01	70,282.02
130,685.07	130,685.07	261,370.14
205,469.00	-	205,469.00
177,536.95	-	177,536.95
75,712.36	75,712.36	151,424.72
100,378.00	-	100,378.00
\$ 19,583,046.85	12,384,594.23	31,967,641.08

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Changing Horses/Saddle Up* (08-001)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Cowboy Promotions Inc.	Sponsorship	07/25/08
Cowboy Promotions Inc.	Sponsorship	07/23/08
Glass Onion Productions	Production	06/27/08
Glass Onion Productions	Production	07/11/08
Glass Onion Productions	Production	07/28/08
Gold Buckle Network	Sponsorship	07/25/08
Mindfire Communications	Advertising and Marketing	07/28/08
Fund for Horses Charities	Sponsorship	07/25/08
Mindfire Communications	Advertising and Promotion	07/18/08
Noble Ford	Vehicle	07/21/08
Various Individuals	Commissions	07/28/08
Burton Tungland - Three Horses	Training Services	07/07/08
Burton Tungland	<i>Unknown</i>	05/14/08
Palisades Equestrian Estates	Arena Construction	06/12/08
Palisades Equestrian Estates	Rental	06/12/08
Witter Consulting	Accounting/Legal	07/11/08
Palisades Equestrian Estates	Rental	07/11/08
Palisades Equestrian Estates	Rental	07/11/08
Laura Delker	Horse Care	07/21/08
Michelle Pettit	Horse Care	07/21/08
Witter Consulting	Accounting/Legal	07/28/08
Witter Consulting	Miscellaneous Reimbursables	July
Mike Owner	Meals	07/18/08
Total		

Note: The following types of unqualified expenditures were not identified for this film:

- Payments to the producer and lead actors
- Deferred payments
- No proof of payment

In-Kind Expenditures	Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
\$ 1,200,000.00	-	-	-	1,200,000.00
-	-	-	25,000.00	25,000.00
-	-	15,000.00	-	15,000.00
-	-	150,000.00	-	150,000.00
-	-	135,000.00	-	135,000.00
1,000,000.00	-	-	-	1,000,000.00
-	35,000.00	-	-	35,000.00
1,000,000.00	-	-	-	1,000,000.00
-	40,000.00	-	-	40,000.00
-	-	-	2,500.00	2,500.00
-	78,000.00	-	-	78,000.00
-	-	-	26,000.00	26,000.00
-	-	-	2,000.00	2,000.00
-	-	-	25,000.00	25,000.00
-	-	-	2,000.00	2,000.00
-	45,000.00	-	-	45,000.00
-	-	-	5,000.00	5,000.00
-	-	-	7,000.00	7,000.00
-	-	-	1,000.00	1,000.00
-	-	-	1,000.00	1,000.00
-	-	-	15,000.00	15,000.00
-	-	-	1,348.00	1,348.00
-	-	-	1,438.95	1,438.95
\$ 3,200,000.00	198,000.00	300,000.00	114,286.95	3,812,286.95

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Changing Horses/Saddle Up* (08-002)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Cowboy Promotions Inc.	Advertising and Promotion	08/24/08
Cowboy Promotions Inc.	Advertising and Promotion	08/24/08
Glass Onion Productions	Production	08/24/08
Glass Onion Productions	Production	09/30/08
Burton Tungland	Horse Care and Transportation	08/08/08
Burton Tungland	Transportation	08/14/08
Burton Tungland	Transportation	08/14/08
Burton Tungland	Horse Care and Transportation	09/07/08
Davis Brown - John Shors	Legal Services	09/07/08
Featherlite Trailers	Sponsorship	09/11/08
Featherlite Trailers	Vehicles	07/29/08
Laura Delker	Horse Care and Transportation	09/07/08
Mindfire Communications	Advertising and Promotion	09/05/08
Palisades Equestrian Estates	Rental	08/08/08
Palisades Equestrian Estates	Rental	08/29/08
QCB&T	Bank Fees	09/30/08
Strategic America	PR	08/19/08
Strategic America & Mindfire Communications	Advertising and Promotion	09/30/08
Various payees	Production	August
Wayne & Shirley Reese	Vehicles	08/14/08
Witter Consulting Group	Production	09/30/08
Witter Consulting Group	Financing Charges	09/30/08
Witter Consulting Group	Commissions	09/30/08
Witter Consulting Group	Reimbursement	07/29/08
Witter Consulting Group	Accounting/Legal	08/14/08
Witter Consulting Group	Reimbursement	08/19/08
Witter Consulting Group	Accounting/Legal	08/29/08
Witter Consulting Group	Accounting/Legal	08/19/08
Witter Consulting Group	Reimbursement	09/30/08
Witter Consulting Group/Chad Witter	Reimbursement	08/14/08
Witter Consulting Group/Chad Witter	Reimbursement	August
Total		

Note: The following types of unqualified expenditures were not identified for this film:

- Payments to the producer and lead actors
- Deferred payments
- No proof of payment

	In-Kind Expenditures	Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
\$	-	-	-	11,200.00	11,200.00
	-	-	-	33,399.00	33,399.00
	-	-	200,000.00	-	200,000.00
	-	-	500,000.00	-	500,000.00
	-	-	-	10,250.00	10,250.00
	-	-	-	615.00	615.00
	-	-	-	615.00	615.00
	-	-	-	2,500.00	2,500.00
	-	-	-	10,229.00	10,229.00
1,000,000.00	-	-	-	-	1,000,000.00
	-	-	-	16,863.00	16,863.00
	-	-	-	1,000.00	1,000.00
	-	40,000.00	-	-	40,000.00
	-	-	-	7,000.21	7,000.21
	-	-	-	7,000.32	7,000.32
	-	4,739.00	-	-	4,739.00
	-	12,130.00	-	-	12,130.00
	-	100,000.00	-	-	100,000.00
	-	-	-	5,556.00	5,556.00
	-	-	-	12,000.00	12,000.00
	-	-	-	3,191.95	3,191.95
	-	160,349.00	-	-	160,349.00
	-	53,200.00	-	-	53,200.00
	-	-	-	2,000.00	2,000.00
	-	-	-	15,000.00	15,000.00
	-	-	-	30,000.00	30,000.00
	-	-	-	15,000.00	15,000.00
	-	-	-	30,000.00	30,000.00
	-	-	-	4,909.05	4,909.05
	-	-	-	5,435.00	5,435.00
	-	-	-	12,080.00	12,080.00
\$	1,000,000.00	370,418.00	700,000.00	235,843.53	2,306,261.53

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Changing Horses/Saddle Up* (08-020)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Cowboy Promotions Inc	Production	05/26/09
Cowboy Promotions Inc	Production	05/06/09
Glass Onion Productions Inc.	Production	various
Andy Axel	Financing/Sponsorship	05/28/09
Burt Tungland	Horse Care and Transportation	06/10/09
KENT Feeds	Sponsorship	07/01/09
McGrath Power Sports	Production	04/30/09
Mindfire Communications	Advertising and Promotion	06/08/09
Mindfire Communications	Advertising and Promotion	05/01/09
Mindfire Communications	Advertising and Promotion	06/30/09
Dennis Brouse/Chad Witter	Miscellaneous reimbursables	06/12/09
Palisades Equestrian Estates	Rental	05/13/09
Palisades Equestrian Estates	Rental	06/02/09
Stew Hansen Dodge City Jeep	Production Vehicles	05/22/09
Witter Consulting Group	Tax Credit Commissions	07/15/09
Witter Consulting Group	Accounting/Legal	05/01/09
Witter Consulting Group	Accounting/Legal	06/01/09
Witter Consulting Group	Reimbursement	07/01/09
Witter Consulting Group	Accounting/Legal	07/01/09
Total		

Note: The following types of unqualified expenditures were not identified for this film:

- Payments to the producer and lead actors
- Deferred payments
- No proof of payment

In-Kind Expenditures	Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
\$ -	-	10,000.00	-	10,000.00
-	-	7,500.00	-	7,500.00
-	-	850,020.00	-	850,020.00
-	15,000.00	-	-	15,000.00
-	-	-	17,000.00	17,000.00
1,000,000.00	-	-	-	1,000,000.00
-	-	-	7,916.00	7,916.00
-	50,000.00	-	-	50,000.00
-	40,000.00	-	-	40,000.00
-	60,000.00	-	-	60,000.00
-	-	-	22,919.00	22,919.00
-	-	-	3,000.00	3,000.00
-	-	-	3,000.00	3,000.00
-	-	-	64,701.00	64,701.00
-	46,000.00	-	-	46,000.00
-	-	-	15,000.00	15,000.00
-	-	-	15,000.00	15,000.00
-	-	-	54,590.00	54,590.00
-	-	-	15,000.00	15,000.00
\$ 1,000,000.00	211,000.00	867,520.00	218,126.00	2,296,646.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Changing Horses/ Saddle Up* (08-027)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Cowboy Promotions, Inc.	Legal Services	11/04/08
Glass Onion	Production	10/07/08
Mindfire / Strategic America	Advertising and Promotion	unknown
Burton Tungland	Purchase	10/02/08
Dennis Brouse	Reimbursement	09/29/08
Dennis Brouse	Reimbursement	unknown
Featherlite	Sponsorship	unknown
Fund 4 Horses	Sponsorship	unknown
Gold Buckle Network	Sponsorship	unknown
Palisades Equestrian Estates	Rental	10/01/08
Toyota Motors of Des Moines	Vehicle	10/25/08
Witter Consulting Group	Marketing	unknown
Witter Consulting Group	Tax Credit Commissions	unknown
Witter Consulting Group	Accounting/Legal	10/01/08
Witter Consulting Group	Reimbursement	10/01/08
Witter Consulting Group	Accounting/Legal	11/04/08
Witter Consulting Group	Accounting/Legal	12/01/08
Witter Consulting Group	Reimbursement	12/01/08
Total		

Note: The following types of unqualified expenditures were not identified for this film:

- Payments to the producer and lead actors
- Deferred payments
- No proof of payment
- Out-of-state vendor/resident

In-Kind Expenditures	Not Directly Related to Production	Paid but Unsupported Expenditures	Total
\$ -	10,000.00	-	10,000.00
-	-	150,000.00	150,000.00
-	150,000.00	-	150,000.00
-	-	8,640.00	8,640.00
-	-	5,000.00	5,000.00
-	-	15,754.00	15,754.00
1,200,000.00	-	-	1,200,000.00
1,000,000.00	-	-	1,000,000.00
1,000,000.00	-	-	1,000,000.00
-	-	7,000.00	7,000.00
-	-	38,282.00	38,282.00
-	76,712.00	-	76,712.00
-	72,000.00	-	72,000.00
-	-	15,000.00	15,000.00
-	-	15,513.00	15,513.00
-	-	15,000.00	15,000.00
-	-	15,000.00	15,000.00
-	-	14,552.00	14,552.00
\$ 3,200,000.00	308,712.00	299,741.00	3,808,453.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Changing Horses/Saddle Up* (08-032)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Cowboy Promotions Inc	Production	02/06/09
Cowboy Promotions Inc	Production	03/02/09
Cowboy Promotions Inc	Production	04/07/09
Cowboy Promotions Inc	Production	12/03/08
Cowboy Promotions Inc	Production	01/23/09
Glass Onion Productions Inc.	Production	03/18/09
Glass Onion Productions Inc.	Production	02/18/09
Happy Horse Productions	Deposit	04/15/09
AQHA (American Quarter Horse Association)	Sponsorship	unknown
Burt Tungland	Horse Care and Transportation	12/05/08
Cargill (Nutrena Feeds)	Sponsorship	unknown
Featherlite	Sponsorship	unknown
KENT Feeds	Sponsorship	unknown
Lyle Horn	Horse Care and Transportation	11/21/08
Lyle Horn	Horse Care and Transportation	01/29/09
Lyle Horn	Horse Care and Transportation	04/07/09
Mindfire Communications	Advertising and Promotion	03/30/09
RSM McGladrey	Consulting Services	04/09/09
Strategic America	Advertising and Promotion	01/18/09
William Kisgen	Rental	04/09/09
Witter Consulting Group	Tax Credit Commissions	unknown
Witter Consulting Group	Reimbursement	03/05/09
Witter Consulting Group	Reimbursement	04/06/09
Witter Consulting Group	Accounting/Legal	02/06/09
Witter Consulting Group	Accounting/Legal	01/18/09
Witter Consulting Group	Accounting/Legal	03/05/09
Witter Consulting Group	Accounting/Legal	04/06/09
Total		

Note: The following types of unqualified expenditures were not identified for this film:

Payments to the producer and lead actors
Deferred payments
No proof of payment

In-Kind Expenditures	Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
\$ -	-	7,500.00	-	7,500.00
-	-	7,500.00	-	7,500.00
-	-	7,500.00	-	7,500.00
-	-	10,012.00	-	10,012.00
-	-	5,000.00	-	5,000.00
-	-	75,000.00	-	75,000.00
-	-	200,000.00	-	200,000.00
-	500,000.00	-	-	500,000.00
1,250,000.00	-	-	-	1,250,000.00
-	-	-	1,876.00	1,876.00
1,250,000.00	-	-	-	1,250,000.00
1,250,000.00	-	-	-	1,250,000.00
1,250,000.00	-	-	-	1,250,000.00
-	-	-	5,000.00	5,000.00
-	-	-	15,000.00	15,000.00
-	-	-	8,000.00	8,000.00
-	50,000.00	-	-	50,000.00
-	-	-	21,500.00	21,500.00
-	30,336.00	-	-	30,336.00
-	-	-	3,000.00	3,000.00
-	109,120.00	-	-	109,120.00
-	-	-	1,045.00	1,045.00
-	-	-	17,168.00	17,168.00
-	-	-	15,000.00	15,000.00
-	-	-	15,000.00	15,000.00
-	-	-	15,000.00	15,000.00
-	-	-	15,000.00	15,000.00
\$ 5,000,000.00	689,456.00	312,512.00	132,589.00	6,134,557.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Splatter* (09-012)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Progressive Indirect Productions	Clearances	<i>Unknown</i>
Progressive Indirect Productions	Hotels	<i>Unknown</i>
Progressive Indirect Productions	Hotels	<i>Unknown</i>
Progressive Indirect Productions	Purchases	<i>Unknown</i>
Progressive Indirect Productions	Purchases	<i>Unknown</i>
Progressive Indirect Productions	Purchases	<i>Unknown</i>
Progressive Indirect Productions	Purchases	<i>Unknown</i>
Progressive Indirect Productions	Rentals	<i>Unknown</i>
Progressive Indirect Productions	Salary and Misc. Reimbursables	<i>Unknown</i>
Progressive Indirect Productions	Supplies	<i>Unknown</i>
Progressive Indirect Productions	Miscellaneous	<i>Unknown</i>
Progressive Indirect Productions	Purchases	04/17/09
Progressive Indirect Productions	Purchases	04/18/09
Progressive Indirect Productions	Purchases	04/22/09
Progressive Indirect Productions	Purchases	04/24/09
Progressive Indirect Productions	Purchases	04/29/09
Progressive Indirect Productions	Purchases	04/30/09
Progressive Indirect Productions	Purchases	05/05/09
Progressive Indirect Productions	Purchases	05/05/09
Progressive Indirect Productions	Purchases	05/22/09
Progressive Indirect Productions	Purchases	05/23/09
Progressive Indirect Productions	Purchases	05/26/09
Progressive Indirect Productions	Purchases	05/29/09
Progressive Indirect Productions	Purchases	05/31/09
Progressive Indirect Productions	Purchases	06/11/09
Progressive Indirect Productions	Purchases	06/15/09
Progressive Indirect Productions	Rentals	05/22/09
Progressive Indirect Productions	Rentals	05/26/09
Progressive Indirect Productions	Rentals	06/10/09
Progressive Indirect Productions	Rentals	06/18/09
Progressive Indirect Productions	Rentals	06/23/09
Progressive Indirect Productions	Salary and Misc. Reimbursables	06/01/09
Progressive Indirect Productions	Supplies	04/23/09

	Deferred Payments	No Proof of Payment	Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
\$	-	200,000.00	-	-	-	200,000.00
	-	67.20	-	-	-	67.20
	-	67.20	-	-	-	67.20
	-	95.95	-	-	-	95.95
	-	458.00	-	-	-	458.00
	-	31.43	-	-	-	31.43
	-	598.47	-	-	-	598.47
	-	1,550.00	-	-	-	1,550.00
	-	61,875.00	-	-	-	61,875.00
	-	16.17	-	-	-	16.17
	-	-	-	1,530.90	-	1,530.90
	-	-	-	172.40	-	172.40
	-	-	-	46.59	-	46.59
	-	-	-	51.89	-	51.89
	-	-	-	107.88	-	107.88
	-	-	-	299.43	-	299.43
	-	-	-	1,082.66	-	1,082.66
	-	-	-	927.20	-	927.20
	-	-	-	1,000.00	-	1,000.00
	-	-	-	63.28	-	63.28
	-	-	-	289.90	-	289.90
	-	-	-	30.71	-	30.71
	-	-	-	1,268.88	-	1,268.88
	-	-	-	480.74	-	480.74
	-	-	-	96.00	-	96.00
	-	-	-	53.24	-	53.24
	-	-	-	1,078.92	-	1,078.92
	-	-	-	324.00	-	324.00
	-	-	-	650.00	-	650.00
	-	-	-	835.92	-	835.92
	-	-	-	835.92	-	835.92
	-	-	-	1,876.00	-	1,876.00
	-	-	-	299.16	-	299.16

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Splatter* (09-012)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Progressive Indirect Productions	Supplies	04/23/09
Progressive Indirect Productions	Hotels	06/08/09
Progressive Indirect Productions for Alissa Olson	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Progressive Indirect Productions for Alissa Olson	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Progressive Indirect Productions for Alissa Olson	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Progressive Indirect Productions for Ben Burt	Rentals	<i>Unknown</i>
Progressive Indirect Productions for Ben Burt	Rentals	<i>Unknown</i>
Progressive Indirect Productions for Candice Rose	Salary and Misc. Reimbursables	07/21/09
Progressive Indirect Productions for David Dewes	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Progressive Indirect Productions for David Dewes	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Progressive Indirect Productions for FedEx	Supplies	<i>Unknown</i>
Progressive Indirect Productions for FedEx	Supplies	<i>Unknown</i>
Progressive Indirect Productions for FedEx	Supplies	<i>Unknown</i>
Progressive Indirect Productions for FedEx	Shipping	06/03/09
Progressive Indirect Productions for FedEx	Shipping	06/04/09
Progressive Indirect Productions for FedEx	Shipping	06/04/09
Progressive Indirect Productions for FedEx	Shipping	06/04/09
Progressive Indirect Productions for FedEx	Shipping	06/04/09
Progressive Indirect Productions for FedEx	Shipping	06/04/09
Progressive Indirect Productions for FedEx	Shipping	06/04/09
Progressive Indirect Productions for FedEx	Supplies	06/05/09
Progressive Indirect Productions for FedEx	Supplies	06/09/09
Progressive Indirect Productions for IndieClear	Professional Fees	04/10/09
Progressive Indirect Productions for Matt Olson	Misc. Reimbursables	<i>Unknown</i>
Progressive Indirect Productions for Matt Olson	Misc. Reimbursables	<i>Unknown</i>
Progressive Indirect Productions for Qwest	Telephone	<i>Unknown</i>
Progressive Indirect Productions for Robin Hellmann	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Progressive Indirect Productions for Robin Hellmann	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Progressive Indirect Productions for Robin Hellmann	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Progressive Indirect Productions for Rock Bottom Rentals	Purchases	<i>Unknown</i>
Progressive Indirect Productions for Sarah McDermott	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Progressive Indirect Productions for Sarah McDermott	Salary and Misc. Reimbursables	06/21/09 & 07/21/09

Deferred Payments	No Proof of Payment	Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	-	-	1,633.60	-	1,633.60
-	-	-	-	689.10	689.10
750.00	-	-	-	-	750.00
850.00	-	-	-	-	850.00
26,250.00	-	-	-	-	26,250.00
-	-	-	-	900.00	900.00
-	-	-	-	100.00	100.00
83,752.00	-	-	-	-	83,752.00
750.00	-	-	-	-	750.00
56,250.00	-	-	-	-	56,250.00
-	174.65	-	-	-	174.65
-	10.63	-	-	-	10.63
-	19.91	-	-	-	19.91
-	-	-	572.31	-	572.31
-	-	-	50.49	-	50.49
-	-	-	50.60	-	50.60
-	-	-	53.83	-	53.83
-	-	-	70.43	-	70.43
-	-	-	140.22	-	140.22
-	-	-	146.87	-	146.87
-	-	-	111.43	-	111.43
-	-	-	49.84	-	49.84
-	-	-	1,400.00	-	1,400.00
-	750.00	-	-	-	750.00
-	2,000.00	-	-	-	2,000.00
-	16.55	-	-	-	16.55
750.00	-	-	-	-	750.00
590.00	-	-	-	-	590.00
30,000.00	-	-	-	-	30,000.00
-	550.00	-	-	-	550.00
750.00	-	-	-	-	750.00
183.00	-	-	-	-	183.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Splatter* (09-012)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Progressive Indirect Productions for Sarah McDermott	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Progressive Indirect Productions for Tim Nicola LLC	Salary and Misc. Reimbursables	07/21/09
Progressive Indirect Productions for Tim Nicola LLC	Salary and Misc. Reimbursables	07/21/09
Progressive Indirect Productions for Tim Nicola LLC	Salary and Misc. Reimbursables	07/21/09
4th Avenue Bar and Grill	Rentals	05/08/09
Active Endeavors	Miscellaneous	<i>Unknown</i>
Aero Rental	Miscellaneous	<i>Unknown</i>
Alex Lindeman	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Alexis Steele	Salary and Misc. Reimbursables	06/21/09
Alyssa Shipley	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Amber Louros	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Amber Rowley	Salary and Misc. Reimbursables	various
Amber Rowley	Purchases	various
Americinn Motel & Suites	Hotels	<i>Unknown</i>
Andrea Politte	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Ann Wilkinson	Salary and Misc. Reimbursables	07/21/09
Answer Ejiasi	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Ashlynn Dale	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Axton Upton	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Becky Bodurtha	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Best Buy	Purchases	<i>Unknown</i>
Best Western/Cantebury Inn	Hotels	various
Beth Bender	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Bill Hamilton	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Bob Saar	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Brett Elder	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Brian Banse	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Bruce Heppner-Elgin	Salary and Misc. Reimbursables	<i>Unknown</i>
Bruce Heppner-Elgin	Salary and Misc. Reimbursables	<i>Unknown</i>
Bruce Heppner-Elgin	Salary and Misc. Reimbursables	<i>Unknown</i>
Bruce Miller	Rentals	04/23/09
BTS Inc.	Salary and Misc. reimbursables	06/21/09 & 07/21/09

Deferred Payments	No Proof of Payment	Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
60,000.00	-	-	-	-	60,000.00
750.00	-	-	-	-	750.00
1,956.00	-	-	-	-	1,956.00
85,000.00	-	-	-	-	85,000.00
-	-	-	-	200.00	200.00
-	106.00	-	-	-	106.00
-	209.11	-	-	-	209.11
3,000.00	-	-	-	-	3,000.00
2,000.00	-	-	-	-	2,000.00
25,200.00	-	-	-	-	25,200.00
32,000.00	-	-	-	-	32,000.00
68,000.00	-	-	-	-	68,000.00
-	1,712.03	-	-	-	1,712.03
-	55.95	-	-	-	55.95
70,400.00	-	-	-	-	70,400.00
80,000.00	-	-	-	-	80,000.00
24,000.00	-	-	-	-	24,000.00
32,000.00	-	-	-	-	32,000.00
64,000.00	-	-	-	-	64,000.00
44,000.00	-	-	-	-	44,000.00
-	776.93	-	-	-	776.93
-	-	-	-	89.27	89.27
9,900.00	-	-	-	-	9,900.00
61,200.00	-	-	-	-	61,200.00
99,375.00	-	-	-	-	99,375.00
24,000.00	-	-	-	-	24,000.00
56,100.00	-	-	-	-	56,100.00
-	1,500.00	-	-	-	1,500.00
-	1,200.00	-	-	-	1,200.00
-	325,000.00	-	-	-	325,000.00
-	-	-	-	300.00	300.00
81,474.00	-	-	-	-	81,474.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Splatter* (09-012)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Café Dodici	Rentals	05/08/09 & 06/29/09
Cameron Wagner	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Capanna Coffee Company	Miscellaneous	<i>Unknown</i>
Carl Platteter	Salary and Misc. Reimbursables	06/23/09 & 07/21/09
Chad Cermak	Rentals	<i>Unknown</i>
Chris Butzke	Rentals	06/21/09 & 07/21/09
Chris Butzke	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Chris Traeger	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Chris Warren	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Chris Warren	Rentals	04/23/09
Christine Youngstrom	Rentals	06/21/09 & 07/21/09
Christine Youngstrom	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Christine Youngstrom	Purchases	04/24/09
Christine Youngstrom	Purchases	06/09/09 & 06/22/09
City of Washington-Police Dept.	Security	06/25/09
Clint Curtis	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Cody Graham	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Cole Chapman	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Colton Wagner	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Copyworks	Purchases	<i>Unknown</i>
Craig Cermak	Rentals	05/07/09
Criss Roberts	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Criss Roberts	Purchases	6/3 & 6/9/09
Dan Hampel	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Dan Layne	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Dave Lewis	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Dave Thrasher	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
David Henderson	Salary and Misc. Reimbursables	06/22/09
Dawn Jennings	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Dustin Blank	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Dustin Blank	Purchases	06/03/09
Emily Hyder	Salary and Misc. Reimbursables	06/22/09 & 07/21/09

Deferred Payments	No Proof of Payment	Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	-	-	-	500.00	500.00
4,000.00	-	-	-	-	4,000.00
-	10.58	-	-	-	10.58
4,800.00	-	-	-	-	4,800.00
-	300.00	-	-	-	300.00
7,960.00	-	-	-	-	7,960.00
60,040.00	-	-	-	-	60,040.00
37,125.00	-	-	-	-	37,125.00
95,600.00	-	-	-	-	95,600.00
-	342.45	-	-	-	342.45
11,538.90	-	-	-	-	11,538.90
108,850.10	-	-	-	-	108,850.10
-	224.06	-	-	-	224.06
-	-	-	-	482.25	482.25
-	-	-	-	720.00	720.00
101,956.00	-	-	-	-	101,956.00
4,000.00	-	-	-	-	4,000.00
12,000.00	-	-	-	-	12,000.00
4,000.00	-	-	-	-	4,000.00
-	58.54	-	-	-	58.54
-	-	-	-	300.00	300.00
47,627.60	-	-	-	-	47,627.60
-	-	-	-	723.59	723.59
46,900.00	-	-	-	-	46,900.00
2,000.00	-	-	-	-	2,000.00
24,000.00	-	-	-	-	24,000.00
15,600.00	-	-	-	-	15,600.00
1,000.00	-	-	-	-	1,000.00
78,000.00	-	-	-	-	78,000.00
52,000.00	-	-	-	-	52,000.00
-	-	-	-	111.81	111.81
14,000.00	-	-	-	-	14,000.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Splatter* (09-012)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Emily Stanford	Salary and Misc. Reimbursables	06/22/09 & 07/21/09
Eric Dean Freese	Salary and Misc. Reimbursables	06/22/09 & 07/21/09
Eric Freese	Purchases	<i>Unknown</i>
Eric Wickes	Salary and Misc. Reimbursables	06/22/09 & 07/21/09
Erin Auer-Sears	Salary and Misc. Reimbursables	06/22/09 & 07/21/09
Erin Brothers-Smith	Salary and Misc. Reimbursables	06/22/09 & 07/21/09
Erin Heppner-Elgin	Salary and Misc. Reimbursables	<i>Unknown</i>
Erin Heppner-Elgin	Salary and Misc. Reimbursables	<i>Unknown</i>
Erin Heppner-Elgin	Salary and Misc. Reimbursables	<i>Unknown</i>
Erin Heppner-Elgin	Salary and Misc. Reimbursables	<i>Unknown</i>
Fair Grounds Coffeehouse	Meals	<i>Unknown</i>
Fair Grounds Coffeehouse	Meals	<i>Unknown</i>
Fair Grounds Coffeehouse	Meals	<i>Unknown</i>
Fair Grounds Coffeehouse	Meals	<i>Unknown</i>
Fair Grounds Coffeehouse	Meals	<i>Unknown</i>
Fair Grounds Coffeehouse	Meals	<i>Unknown</i>
Fair Grounds Coffeehouse	Meals	<i>Unknown</i>
Fair Grounds Coffeehouse	Meals	<i>Unknown</i>
Fairfield Inn & Suites Burlington	Hotels	various
Floyd's EZ Way Container Service	Purchases	06/01/09
Fresh Start Rentals LLP	Rentals	04/28/09
Gabby McNally	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Grasshorse Technologies	Post Production	<i>Unknown</i>
Grasshorse Technologies	Post Production	<i>Unknown</i>
Grasshorse Technologies	Post Production	<i>Unknown</i>
Grasshorse Technologies	Post Production	09/14/09
Great River Christian School	Rentals	06/29/09
Great Wall Chinese Restaurant	Meals	<i>Unknown</i>
Greg Frieden	Rentals	06/21/09 & 07/21/09
Greg Frieden	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Gretchen Thayer	Salary and Misc. Reimbursables	06/22/09 & 07/21/09
Griffin Pocock	Salary and Misc. Reimbursables	06/22/09 & 07/21/09

Deferred Payments	No Proof of Payment	Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
1,800.00	-	-	-	-	1,800.00
112,000.00	-	-	-	-	112,000.00
-	-	69.26	-	-	69.26
44,400.00	-	-	-	-	44,400.00
2,000.00	-	-	-	-	2,000.00
36,000.00	-	-	-	-	36,000.00
-	80,000.00	-	-	-	80,000.00
-	1,500.00	-	-	-	1,500.00
-	150.00	-	-	-	150.00
-	250,000.00	-	-	-	250,000.00
-	6.15	-	-	-	6.15
-	17.59	-	-	-	17.59
-	75.56	-	-	-	75.56
-	19.08	-	-	-	19.08
-	6.89	-	-	-	6.89
-	8.85	-	-	-	8.85
-	17.86	-	-	-	17.86
-	22.41	-	-	-	22.41
-	-	-	-	67.20	67.20
-	-	-	-	175.00	175.00
-	-	-	-	2,750.00	2,750.00
32,400.00	-	-	-	-	32,400.00
-	75,000.00	-	-	-	75,000.00
-	100,000.00	-	-	-	100,000.00
-	75,000.00	-	-	-	75,000.00
-	2,000.00	-	-	-	2,000.00
-	-	-	-	500.00	500.00
-	13.91	-	-	-	13.91
4,010.00	-	-	-	-	4,010.00
31,990.00	-	-	-	-	31,990.00
5,000.00	-	-	-	-	5,000.00
13,200.00	-	-	-	-	13,200.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Splatter* (09-012)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Hagan Myers	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Heartland Inn	Hotels	<i>Unknown</i>
Helen Roushar	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Holiday Inn Express	Hotels	<i>Unknown</i>
Holiday Inn Express	Hotels	various
Hy-Vee	Purchases	<i>Unknown</i>
Hy-Vee	Purchases	<i>Unknown</i>
Hy-Vee	Purchases	<i>Unknown</i>
Hy-Vee	Purchases	<i>Unknown</i>
Hy-Vee	Purchases	<i>Unknown</i>
Hy-Vee	Purchases	<i>Unknown</i>
Intuit Market	Purchases	<i>Unknown</i>
Intuit Market	Purchases	<i>Unknown</i>
Intuit Market	Purchases	05/16/09
Jade Sisters	Miscellaneous	<i>Unknown</i>
Jade Sisters	Miscellaneous	<i>Unknown</i>
Jamie Niebuhr	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Jason Auer-Sears	Rentals	06/21/09 & 07/21/09
Jason Auer-Sears	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Jason Bolinger	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Jason Bradley	Rentals	06/21/09 & 07/21/09
Jason Bradley	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Jeff Bales	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Jeffrey Bevauns	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Jenny Stolte	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Jessica Burgin	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Joel Swanner	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Joker's Wild Paintball Field Inc.	Location Restoration	07/21/09
Joker's Wild Paintball Field Inc.	Rentals	various
Jon Salvador	Rentals	various
Jon Van Allen	Purchases	06/21/09 & 07/21/09
Jon Van Allen	Rentals	06/21/09 & 07/21/09

Deferred Payments	No Proof of Payment	Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
20,000.00	-	-	-	-	20,000.00
-	1,624.00	-	-	-	1,624.00
46,200.00	-	-	-	-	46,200.00
-	600.79	-	-	-	600.79
-	-	-	-	3,617.39	3,617.39
-	60.72	-	-	-	60.72
-	9.06	-	-	-	9.06
-	18.45	-	-	-	18.45
-	95.65	-	-	-	95.65
-	21.12	-	-	-	21.12
-	71.46	-	-	-	71.46
-	43.92	-	-	-	43.92
-	43.92	-	-	-	43.92
-	-	185.17	-	-	185.17
-	20.00	-	-	-	20.00
-	30.45	-	-	-	30.45
32,200.00	-	-	-	-	32,200.00
3,989.96	-	-	-	-	3,989.96
54,080.83	-	-	-	-	54,080.83
72,000.00	-	-	-	-	72,000.00
4,000.00	-	-	-	-	4,000.00
60,000.00	-	-	-	-	60,000.00
30,800.00	-	-	-	-	30,800.00
9,600.00	-	-	-	-	9,600.00
59,400.00	-	-	-	-	59,400.00
20,000.00	-	-	-	-	20,000.00
13,000.00	-	-	-	-	13,000.00
-	200.00	-	-	-	200.00
-	-	-	-	9,300.00	9,300.00
-	-	-	-	3,000.00	3,000.00
60,000.00	-	-	-	-	60,000.00
8,000.00	-	-	-	-	8,000.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Splatter* (09-012)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Jon Van Allen	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Jon Van Allen	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
JP Wohl	Salary and Misc. Reimbursables	06/22/09 & 07/21/09
Julie Mickelson	Salary and Misc. Reimbursables	06/22/09 & 07/21/09
Julie Mickelson	Purchases	<i>Unreadable</i>
Justin Machnik	Salary and Misc. Reimbursables	06/22/09 & 07/21/09
Justin Marxen	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Kat Jackson	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Kate Hess	Salary and Misc. Reimbursables	07/21/09
Kathryn Jackson	Purchases	<i>Unknown</i>
Kathryn Jackson	Purchases	<i>Unknown</i>
Katy Hoffer	Salary and Misc. Reimbursables	06/23/09 & 07/21/09
Kelsey Hammer	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Ken Moehn	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Kimberly Furness Kurtenbach	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Kimberly Furness Kurtenbach	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
KLDP Inc. dba Mama's Deli	Salary and Misc. Reimbursables	<i>Unknown</i>
KLDP Inc. dba Mama's Deli	Salary and Misc. Reimbursables	<i>Unknown</i>
KLDP Inc. dba Mama's Deli	Meals	<i>various</i>
Korner Kremery	Rentals	<i>various</i>
Kristin Gamble	Salary and Misc. Reimbursables	06/22/09 & 07/21/09
Kristina Swanson	Salary and Misc. Reimbursables	07/21/09
Kristina Swanson	Purchases	05/10/09
Kristina Swanson	Rentals	<i>Unknown</i>
Kristina Swanson	Purchases	06/03/09
La Veine Sanitation Services	Rentals	06/15/09
Laura Cooper	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Laura Wallace	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Lauren Bartusek	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Lee Casebolt	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Lenoch & Cilek Ace Hardware	Miscellaneous	<i>Unknown</i>
Lonnie Schuyler	Salary and Misc. Reimbursables	06/22/09 & 07/21/09
Lindsay Donald	Salary and Misc. Reimbursables	06/22/09 & 07/21/09

Deferred Payments	No Proof of Payment	Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
60,000.00	-	-	-	-	60,000.00
40,000.00	-	-	-	-	40,000.00
11,946.00	-	-	-	-	11,946.00
56,000.00	-	-	-	-	56,000.00
-	235.56	-	-	-	235.56
13,000.00	-	-	-	-	13,000.00
100,000.00	-	-	-	-	100,000.00
44,450.00	-	-	-	-	44,450.00
20,000.00	-	-	-	-	20,000.00
-	171.14	-	-	-	171.14
-	95.53	-	-	-	95.53
16,200.00	-	-	-	-	16,200.00
42,000.00	-	-	-	-	42,000.00
66,200.00	-	-	-	-	66,200.00
100,000.00	-	-	-	-	100,000.00
40,000.00	-	-	-	-	40,000.00
-	750.00	-	-	-	750.00
-	1,000.00	-	-	-	1,000.00
-	111,523.00	-	-	-	111,523.00
-	-	-	-	1,100.00	1,100.00
12,000.00	-	-	-	-	12,000.00
111,000.00	-	-	-	-	111,000.00
-	130.00	-	-	-	130.00
-	5,000.00	-	-	-	5,000.00
-	-	-	-	241.96	241.96
-	-	-	-	89.88	89.88
40,600.00	-	-	-	-	40,600.00
39,600.00	-	-	-	-	39,600.00
10,000.00	-	-	-	-	10,000.00
24,000.00	-	-	-	-	24,000.00
-	21.09	-	-	-	21.09
250,000.00	-	-	-	-	250,000.00
2,000.00	-	-	-	-	2,000.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Splatter* (09-012)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Lonnie Schuyler	Salary and Misc. Reimbursables	06/22/09 & 07/21/09
Lou Bolster	Salary and Misc. Reimbursables	06/22/09 & 07/21/09
Lowe's	Miscellaneous	<i>Unknown</i>
Mark Britton	Purchases	06/21/09 & 07/21/09
Mark Britton	Purchases	06/21/09 & 07/21/09
Mark Britton	Purchases	06/21/09 & 07/21/09
Mark Britton	Purchases	06/21/09 & 07/21/09
Mark Britton	Rentals	06/21/09 & 07/21/09
Mark Britton	Rentals	06/21/09 & 07/21/09
Mark Britton	Rentals	06/21/09 & 07/21/09
Mark Britton	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Mark Britton	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Mary-Kate Gales	Rentals	06/21/09 & 07/21/09
Mary-Kate Gales	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Mary-Kate Gales	Supplies	04/26/09
Matt Munstermann	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Matt Oaks	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Matt Olson	Rentals	<i>Unreadable</i>
Max Nelson	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Max Radl	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Megan Fleming	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Menards	Supplies	unknown
Michael Caleb	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Michael Duede	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Michelle Lang	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Mike Saunders	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Mike Burgin	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Mike Tweeton	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Mondo's	Miscellaneous	<i>Unknown</i>
Monster Design Studios	Rentals	<i>Unknown</i>
Morningstar Associates Inc.	Salary and Misc. Reimbursables	09/01/09
Mr. Moto's Cafe	Miscellaneous	<i>Unknown</i>
Nathan Thrailkill	Salary and Misc. Reimbursables	06/21/09 & 07/21/09

Deferred Payments	No Proof of Payment	Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
250,000.00	-	-	-	-	250,000.00
12,000.00	-	-	-	-	12,000.00
-	441.51	-	-	-	441.51
20,000.00	-	-	-	-	20,000.00
16,000.00	-	-	-	-	16,000.00
40,000.00	-	-	-	-	40,000.00
40,000.00	-	-	-	-	40,000.00
48,000.00	-	-	-	-	48,000.00
8,000.00	-	-	-	-	8,000.00
24,000.00	-	-	-	-	24,000.00
60,000.00	-	-	-	-	60,000.00
20,000.00	-	-	-	-	20,000.00
57,600.00	-	-	-	-	57,600.00
6,400.00	-	-	-	-	6,400.00
-	-	-	-	270.62	270.62
24,000.00	-	-	-	-	24,000.00
48,000.00	-	-	-	-	48,000.00
-	-	-	-	1,000.00	1,000.00
81,045.00	-	-	-	-	81,045.00
28,000.00	-	-	-	-	28,000.00
15,000.00	-	-	-	-	15,000.00
-	-	-	-	36.50	36.50
33,000.00	-	-	-	-	33,000.00
73,152.00	-	-	-	-	73,152.00
43,500.00	-	-	-	-	43,500.00
72,000.00	-	-	-	-	72,000.00
56,000.00	-	-	-	-	56,000.00
47,732.00	-	-	-	-	47,732.00
-	127.42	-	-	-	127.42
-	190.80	-	-	-	190.80
134,275.00	-	-	-	-	134,275.00
-	33.23	-	-	-	33.23
41,000.00	-	-	-	-	41,000.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Splatter* (09-012)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
New Pioneer Co-Op	Miscellaneous	Unknown
New Pioneer Co-Op	Miscellaneous	Unknown
Nikki Hynek	Rentals	06/21/09 & 07/21/09
Nikki Hynek	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
North Liberty Flower Shop	Miscellaneous	Unknown
Office Depot	Purchases	Unknown
Office Depot	Purchases	Unknown
Pat Atkinson	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Paul Berge	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Paul Debbins	Salary and Misc. Reimbursables	06/23/09 & 07/21/09
Paul Hynek	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Paul Hynek	Purchases	04/26/09
Penske Truck Leasing	Rentals	various
Phillip Manke	Rentals	06/21/09 & 07/21/09
Phillip Manke	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Phong Pham	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Phong Pham	Vehicles	04/23/09
Quail Valley Farms	Animals	Unknown
Randall Gearhart	Rentals	05/01/09 & 06/29/09
Randy Nguyen	Rentals	04/23/09
RC Systems	Rentals	05/05/09
Renee Bell	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Robert Alexander	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Robert Maass	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Robert Maass	Scouting	Unknown
Sam Knutson	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Sam White	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Sara Kraus	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Scott Blow	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Scott Blow	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Scott Blow	Rentals	05/08/09
Scott Cochran	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Scott Cochran	Fuel	06/03/09 & 06/09/09

Deferred Payments	No Proof of Payment	Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	13.22	-	-	-	13.22
-	13.53	-	-	-	13.53
9,400.00	-	-	-	-	9,400.00
54,000.00	-	-	-	-	54,000.00
-	44.47	-	-	-	44.47
-	42.70	-	-	-	42.70
-	50.78	-	-	-	50.78
63,000.00	-	-	-	-	63,000.00
80,000.00	-	-	-	-	80,000.00
3,200.00	-	-	-	-	3,200.00
66,400.00	-	-	-	-	66,400.00
-	250.00	-	-	-	250.00
-	-	-	-	1,359.75	1,359.75
8,000.00	-	-	-	-	8,000.00
80,000.00	-	-	-	-	80,000.00
26,400.00	-	-	-	-	26,400.00
-	1,000.00	-	-	-	1,000.00
-	425.00	-	-	-	425.00
-	-	-	-	1,530.00	1,530.00
-	-	-	-	1,000.00	1,000.00
-	-	-	-	856.00	856.00
64,000.00	-	-	-	-	64,000.00
60,000.00	-	-	-	-	60,000.00
70,000.00	-	-	-	-	70,000.00
-	500.00	-	-	-	500.00
40,000.00	-	-	-	-	40,000.00
29,400.00	-	-	-	-	29,400.00
2,000.00	-	-	-	-	2,000.00
2,800.00	-	-	-	-	2,800.00
80,000.00	-	-	-	-	80,000.00
-	-	-	-	1,500.00	1,500.00
60,000.00	-	-	-	-	60,000.00
-	-	-	-	199.70	199.70

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Splatter* (09-012)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Seth Weese	Salary and Misc. Reimbursables	06/23/09 & 07/21/09
Shawn Diddy	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Shelby Carlson	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Shelly Banks	Rentals	06/23/09 & 07/21/09
Shelly Banks	Salary and Misc. Reimbursables	06/23/09 & 07/21/09
Silver Oak Development	Rentals	various
Sophie Radl	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Stan Parker	Rentals	06/21/09 & 07/21/09
Stan Parker	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Stephani Daft	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Steve Ellis	Salary and Misc. Reimbursables	06/23/09
Steve Linge	Rentals	05/15/09 & 05/30/09
Steve Mathews	Salary and Misc. Reimbursables	06/22/09 & 07/21/09
Steve Roth	Location Restoration	06/24/09
Super 8 Motel-MTP	Hotels	various
Super 8 Motel-WASH	Hotels	unknown
Suzanne Bradley	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Szechuan Village	Scouting	Unknown
Tammy Myers	Animals	06/18/09
Target	Purchases	Unknown
Thai Spice	Miscellaneous	Unknown
The Burlington Apartments	Rentals	unknown
The Wedge	Miscellaneous	Unknown
Tierra Coffee	Miscellaneous	Unknown
Tim Anderson	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Tom Sterk	Salary and Misc. Reimbursables	06/23/09 & 07/21/09
Travis Kraus	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Travis Mansfield	Salary and Misc. Reimbursables	06/22/09 & 07/21/09
Trinh Le	Salary and Misc. Reimbursables	06/22/09 & 07/21/09
Troy Hollatz	Salary and Misc. Reimbursables	06/21/09 & 07/21/09
Troy Smith	Salary and Misc. Reimbursables	06/21/09 & 07/21/09

Deferred Payments	No Proof of Payment	Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
4,800.00	-	-	-	-	4,800.00
52,000.00	-	-	-	-	52,000.00
5,800.00	-	-	-	-	5,800.00
1,000.00	-	-	-	-	1,000.00
9,000.00	-	-	-	-	9,000.00
-	-	-	-	10,000.00	10,000.00
47,600.00	-	-	-	-	47,600.00
40,000.00	-	-	-	-	40,000.00
60,000.00	-	-	-	-	60,000.00
20,000.00	-	-	-	-	20,000.00
800.00	-	-	-	-	800.00
-	-	-	-	200.00	200.00
20,000.00	-	-	-	-	20,000.00
-	-	-	-	100.00	100.00
-	-	-	-	410.62	410.62
-	-	-	-	3,465.00	3,465.00
37,800.00	-	-	-	-	37,800.00
-	10.45	-	-	-	10.45
-	-	-	-	50.00	50.00
-	27.01	-	-	-	27.01
-	48.66	-	-	-	48.66
-	-	-	-	350.00	350.00
-	24.91	-	-	-	24.91
-	5.65	-	-	-	5.65
43,200.00	-	-	-	-	43,200.00
4,800.00	-	-	-	-	4,800.00
84,000.00	-	-	-	-	84,000.00
3,000.00	-	-	-	-	3,000.00
1,800.00	-	-	-	-	1,800.00
48,000.00	-	-	-	-	48,000.00
2,000.00	-	-	-	-	2,000.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Splatter* (09-012)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Various (extras)	Talent	various
Wal-Mart	Purchases	<i>Unknown</i>
Wal-Mart	Purchases	<i>Unknown</i>
Wal-Mart	Purchases	<i>Unknown</i>
Wal-Mart	Purchases	<i>Unknown</i>
Wal-Mart	Purchases	05/01/09
Washington Real Estate	Rentals	05/08/09 & 06/29/09
Wayne Kloft	Salary and Misc. Reimbursables	07/21/09 & 06/23/09
Witter Consulting Group, Inc.	Professional Fees	08/09/09
Total		

Note: The following types of unqualified expenditures were not identified for this film:

- Payments to the producer and lead actors
- In-kind expenditures

Deferred Payments	No Proof of Payment	Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	-	-	-	1,600.00	1,600.00
-	13.34	-	-	-	13.34
-	166.97	-	-	-	166.97
-	205.57	-	-	-	205.57
-	79.06	-	-	-	79.06
-	-	13.67	-	-	13.67
-	-	-	-	700.00	700.00
1,920.00	-	-	-	-	1,920.00
-	-	173,075.10	-	-	173,075.10
\$ 6,318,118.39	1,309,095.25	173,343.20	17,681.24	50,585.64	7,868,823.72

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *The Offering* (08-038)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Progressive Indirect Productions	Clearances	N/A
Progressive Indirect Productions--Travis Shepherd	Salary and Misc. Reimbursables	04/01/09
All About You, Inc.	Salary and Misc. Reimbursables	04/01/09
All About You, Inc.	Supplies	02/09/09
Amy Burgmaier	Salary and Misc. Reimbursables	04/01/09
Andy & Lindsey Litton	Rentals	04/01/09
Andy Litton	Rentals	01/16/09
Ann Wilkinson	Salary and Misc. Reimbursables	N/A
Ann Wilkinson	Salary and Misc. Reimbursables	04/01/09
Aprille Clarke	Salary and Misc. Reimbursables	N/A
Ashlynn Dale	Salary and Misc. Reimbursables	04/01/09
Bob Saar	Salary and Misc. Reimbursables	N/A
Bradley & Riley PC	Legal Services	04/01/09
Bradley & Riley PC	Legal Services	12/29/08
Bradley & Riley PC	Legal Services	03/05/09
Brendan Dunphy	Salary and Misc. Reimbursables	04/01/09
Bruce Heppner-Elgin	Salary and Misc. Reimbursables	N/A
Bryan Hardin	Rentals	04/01/09
Casey's General Store	Purchases	N/A
Chris Butzke	Salary and Misc. Reimbursables	04/01/09
Chris Renaud	Salary and Misc. Reimbursables	N/A
Chris Warren	Salary and Misc. Reimbursables	04/01/09
Chris Warren	Purchases	N/A
Chris Warren	Purchases	02/22/09
Chris Warren	Miscellaneous	02/13/09
Chris Warren	Rentals	01/13/09
Christine Youngstrom	Salary and Misc. Reimbursables	04/01/09
Christine Youngstrom	Purchases	N/A
Christine Youngstrom	Supplies	N/A

	Deferred Payments	No Proof of Payment	Not Directly Related to Production	Paid but Unsupported Expenditures	Total
\$	-	100,000.00	-	-	100,000.00
	13,200.00	-	-	-	13,200.00
	12,000.00	-	-	-	12,000.00
	-	-	-	500.00	500.00
	8,800.00	-	-	-	8,800.00
	-	-	-	1,355.00	1,355.00
	-	-	-	750.00	750.00
	-	-	-	500.00	500.00
	55,200.00	-	-	-	55,200.00
	34,400.00	-	-	-	34,400.00
	50,400.00	-	-	-	50,400.00
	35,000.00	-	-	-	35,000.00
	-	-	204.00	-	204.00
	-	-	543.00	-	543.00
	-	-	2,654.00	-	2,654.00
	21,190.00	-	-	-	21,190.00
	225,000.00	-	-	-	225,000.00
	-	-	-	150.00	150.00
	-	-	-	14.76	14.76
	2,800.00	-	-	-	2,800.00
	10,000.00	-	-	-	10,000.00
	50,400.00	-	-	-	50,400.00
	-	1,000.00	-	-	1,000.00
	-	200.00	-	-	200.00
	-	-	-	400.00	400.00
	-	-	-	1,000.00	1,000.00
	55,200.00	-	-	-	55,200.00
	-	1,000.00	-	-	1,000.00
	-	-	-	1,000.00	1,000.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *The Offering* (08-038)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
City of Iowa City	Parking	N/A
Club 76	Rentals	04/01/09
David Stoufer	Rentals	02/01/09
Deborah Kennedy	Salary and Misc. Reimbursables	04/01/09
Denny Williams	Rentals	04/04/09
Dr. Jason Bradley, ND, DC	Salary and Misc. Reimbursables	04/01/09
Dustin Blank	Salary and Misc. Reimbursables	04/01/09
Eric Freese	Salary and Misc. Reimbursables	04/01/09
Erin Brothers Smith	Salary and Misc. Reimbursables	04/01/09
Erin Heppner-Elgin	Salary and Misc. Reimbursables	N/A
Ethan Henry	Salary and Misc. Reimbursables	04/01/09
Fair Grounds Coffeehouse	Meals	various
Gabrielle McNally	Salary and Misc. Reimbursables	04/01/09
GKLZ LLC	Rentals	1/3, 2/1 & 3/8/09
Grasshorse Technologies	Post Production	05/12/09
Greg Frieden Photography	Salary and Misc. Reimbursables	04/01/09
Hawkeye Motel, Inc.	Hotels	N/A
Helen Roushar	Salary and Misc. Reimbursables	04/01/09
Helen Roushar	Rentals	02/07/09
Hills Bank & Trust Co.	Bank charges	N/A
Hills Bank & Trust Co.	Bank charges	N/A
Holiday Inn Express	Hotels	Various
Hotel Vetro	Hotels	N/A
Hotel Vetro	Hotels	N/A
Hotel Vetro	Hotels	N/A
Intuit	Purchases	N/A
Intuit	Purchases	N/A

Deferred Payments	No Proof of Payment	Not Directly Related to Production	Paid but Unsupported Expenditures	Total
-	4.95	-	-	4.95
-	-	-	250.00	250.00
-	-	-	100.00	100.00
21,200.00	-	-	-	21,200.00
-	-	-	300.00	300.00
22,400.00	-	-	-	22,400.00
28,400.00	-	-	-	28,400.00
87,200.00	-	-	-	87,200.00
30,400.00	-	-	-	30,400.00
83,000.00	-	-	-	83,000.00
13,200.00	-	-	-	13,200.00
-	-	-	299.89	299.89
26,220.00	-	-	-	26,220.00
-	-	-	1,676.50	1,676.50
89,300.00	-	-	-	89,300.00
13,400.00	-	-	-	13,400.00
-	86.00	-	-	86.00
26,400.00	-	-	-	26,400.00
-	-	-	116.56	116.56
-	12.00	-	-	12.00
-	73.00	-	-	73.00
-	179.89	-	-	179.89
-	154.56	-	-	154.56
-	261.84	-	-	261.84
-	266.62	-	-	266.62
-	43.92	-	-	43.92
-	43.92	-	-	43.92

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *The Offering* (08-038)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Jade Sisters	Purchases	01/04/09
Jade Sisters	Scouting	01/07/09
James Niebuhr	Salary and Misc. Reimbursables	04/01/09
Jason & Kiara Korrell	Rentals	04/01/09
Jason Auer-Sears	Rentals	04/01/09
Jason Bolinger	Salary and Misc. Reimbursables	04/01/09
Jeanne Harmeyer	Salary and Misc. Reimbursables	04/01/09
Jennifer Bendixen	Vehicles	1/10 & 1/16/09
Jim Becicka	Rentals	04/01/09
Jon Van Allen	Salary and Misc. Reimbursables	04/01/09
Jonathan Schwabe	Salary and Misc. Reimbursables	04/01/09
Josh Becker	Salary and Misc. Reimbursables	04/01/09
Julie Mickelson	Salary and Misc. Reimbursables	04/01/09
Justin Marxen	Salary and Misc. Reimbursables	04/01/09
Ken Moehn	Salary and Misc. Reimbursables	04/01/09
Kerry Skram Jurgens	Salary and Misc. Reimbursables	04/01/09
Knowledge Meridian, Inc.	Technical Advisor	04/01/09
Kristina Swanson	Salary and Misc. Reimbursables	04/01/09
Kristina Swanson	Purchases	02/22/09
Kristina Swanson	Purchases	various
Lauren Bartusek	Salary and Misc. Reimbursables	04/01/09
Lee Casebolt	Salary and Misc. Reimbursables	04/01/09
Lonnie Schuyler	Salary and Misc. Reimbursables	04/01/09
Maggie Conroy	Salary and Misc. Reimbursables	04/01/09
Mama's Deli	Meals	02/15/09
Mark Britton	Salary and Misc. Reimbursables	04/01/09
Mark Britton	Purchases	03/30/09

Deferred Payments	No Proof of Payment	Not Directly Related to Production	Paid but Unsupported Expenditures	Total
-	-	-	33.95	33.95
-	-	-	23.10	23.10
20,000.00	-	-	-	20,000.00
-	-	-	300.00	300.00
26,400.00	-	-	-	26,400.00
62,400.00	-	-	-	62,400.00
13,200.00	-	-	-	13,200.00
-	-	-	3,200.00	3,200.00
-	-	-	800.00	800.00
64,800.00	-	-	-	64,800.00
32,000.00	-	-	-	32,000.00
20,000.00	-	-	-	20,000.00
31,200.00	-	-	-	31,200.00
20,800.00	-	-	-	20,800.00
36,400.00	-	-	-	36,400.00
21,600.00	-	-	-	21,600.00
16,000.00	-	-	-	16,000.00
67,200.00	-	-	-	67,200.00
-	165.00	-	-	165.00
-	-	-	3,200.00	3,200.00
22,220.00	-	-	-	22,220.00
14,400.00	-	-	-	14,400.00
124,000.00	-	-	-	124,000.00
12,800.00	-	-	-	12,800.00
-	230.00	-	-	230.00
146,400.00	-	-	-	146,400.00
-	-	-	112.00	112.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *The Offering* (08-038)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Mark Burk	Salary and Misc. Reimbursables	04/01/09
Matt Munsterman	Salary and Misc. Reimbursables	04/01/09
Max Radl	Salary and Misc. Reimbursables	04/01/09
Megan Fleming	Salary and Misc. Reimbursables	04/01/09
Michael Schneider	Salary and Misc. Reimbursables	04/01/09
Mike Burgin	Salary and Misc. Reimbursables	04/01/09
Mike Saunders	Salary and Misc. Reimbursables	04/01/09
Mike Saunders	Supplies	01/23/09
Monster Design Studios	Supplies	various in Jan.
Nikki Hynek	Salary and Misc. Reimbursables	04/01/09
Office Depot	Purchases	N/A
Pam White	Rentals	03/05/09
Panchero's	Scouting	01/17/09
Pat Atkinson	Salary and Misc. Reimbursables	04/01/09
Patrick Gouran	Salary and Misc. Reimbursables	04/01/09
Phil Manke	Salary and Misc. Reimbursables	04/01/09
Rachel Nicola	Rentals	04/01/09
Richard Galbreath	Salary and Misc. Reimbursables	N/A
Right Way	Rentals	01/09/09
Robert Alexander	Salary and Misc. Reimbursables	04/01/09
Robert Alexander	Meals	02/06/09
Robert Maass	Salary and Misc. Reimbursables	04/01/09
Roger Titone	Rentals	02/22/09
Sam Knutson	Salary and Misc. Reimbursables	04/01/09
Scott Tomer	Rentals	01/24/09
Shawn Diddy	Salary and Misc. Reimbursables	01/07/09

Deferred Payments	No Proof of Payment	Not Directly Related to Production	Paid but Unsupported Expenditures	Total
20,400.00	-	-	-	20,400.00
2,400.00	-	-	-	2,400.00
23,200.00	-	-	-	23,200.00
22,400.00	-	-	-	22,400.00
13,600.00	-	-	-	13,600.00
54,400.00	-	-	-	54,400.00
62,400.00	-	-	-	62,400.00
-	-	-	150.00	150.00
-	-	-	2,500.00	2,500.00
42,400.00	-	-	-	42,400.00
-	62.21	-	-	62.21
-	-	-	200.00	200.00
-	-	-	17.86	17.86
34,400.00	-	-	-	34,400.00
13,600.00	-	-	-	13,600.00
42,400.00	-	-	-	42,400.00
-	400.00	-	-	400.00
8,000.00	3,100.00	-	-	11,100.00
-	-	-	300.00	300.00
24,400.00	-	-	-	24,400.00
-	-	-	500.00	500.00
29,200.00	-	-	-	29,200.00
-	-	-	200.00	200.00
23,400.00	-	-	-	23,400.00
-	-	-	400.00	400.00
-	-	-	100.00	100.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *The Offering* (08-038)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Sheraton Hotel	Hotels	02/07/09
Sophie Radl	Salary and Misc. Reimbursables	04/01/09
Stan Parker	Salary and Misc. Reimbursables	01/11/09
Stan Parker	Supplies	01/11/09
Starworks Entertainment, Inc.	Salary and Misc. Reimbursables	04/01/09
Steve Becicka	Rentals	04/01/09
Target	Purchases	N/A
The Peninsula Development Corp., LLC	Rentals	03/30/09
Tim Anderson	Salary and Misc. Reimbursables	04/01/09
Travis Kraus	Salary and Misc. Reimbursables	04/01/09
Troy Hollatz	Salary and Misc. Reimbursables	04/01/09
TrueNorth Companies	Insurance	1/22 & 2/2/09
University of Iowa Surplus	Purchases	02/05/09
Wal-Mart	Purchases	N/A
Wal-Mart	Purchases	N/A
Wal-Mart	Purchases	N/A
Washington County, Attn: James Miksch	Rentals	04/01/09
Witter Consulting Group, Inc.	Commission	05/13/09
Total		

N/A - Not available

Note: The following types of unqualified expenditures were not identified for this film:

- Payments to the producer and lead actors
- In-kind expenditures
- Out-of-state vendor/resident

Deferred Payments	No Proof of Payment	Not Directly Related to Production	Paid but Unsupported Expenditures	Total
-	1,594.18	-	-	1,594.18
23,200.00	-	-	-	23,200.00
38,400.00	-	-	-	38,400.00
-	-	-	1,000.00	1,000.00
105,600.00	24,400.00	-	-	130,000.00
-	-	-	400.00	400.00
-	3.59	-	-	3.59
-	-	-	300.00	300.00
25,000.00	-	-	-	25,000.00
34,267.00	-	-	-	34,267.00
38,400.00	-	-	-	38,400.00
-	-	-	5,999.75	5,999.75
-	-	-	227.90	227.90
-	100.67	-	-	100.67
-	11.28	-	-	11.28
-	32.10	-	-	32.10
-	-	-	1,000.00	1,000.00
-	-	55,000.00	-	55,000.00
\$ 2,447,997.00	133,425.73	58,401.00	29,377.27	2,669,201.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Ticket Out* (08-015)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Disparate Films, LLC	Misc. Fees	03/05/09
Disparate Films, LLC	Misc. Reimbursables	02/07/09
Disparate Films, LLC	Misc. Reimbursables	01/05/09
Disparate Films, LLC	Misc. Reimbursables	01/14/09
Disparate Films, LLC	Misc. Reimbursables	11/30/08
Disparate Films, LLC	Misc. Reimbursables	12/04/08
Disparate Films, LLC	Misc. Reimbursables	12/05/08
Disparate Films, LLC	Misc. Reimbursables	01/30/09
Disparate Films, LLC	Misc. Reimbursables	02/06/09
Disparate Films, LLC	Misc. Reimbursables	02/13/09
Disparate Films, LLC	Misc. Reimbursables	02/14/09
Disparate Films, LLC	Misc. Reimbursables	02/16/09
Disparate Films, LLC	Misc. Reimbursables	02/21/09
Disparate Films, LLC	Misc. Reimbursables	03/02/09
Disparate Films, LLC	Misc. Reimbursables	03/05/09
Disparate Films, LLC	Misc. Reimbursables	03/06/09
Disparate Films, LLC	Misc. Reimbursables	03/12/09
Disparate Films, LLC	Misc. Reimbursables	04/21/09
Disparate Films, LLC	Misc. Reimbursables	03/16/09
Disparate Films, LLC	Misc. Reimbursables	12/05/08
Jeffery Garland	Purchases	02/05/09
K&K Leasing	Rental	12/31/08
All Special Effects, Inc.	Rental	12/15/08
Dino Studio Rentals	Rental	02/05/09
Disparate Films, LLC	Salary and Misc. Reimbursables	01/14/09
Disparate Films, LLC	Salary and Misc. Reimbursables	01/29/09
Disparate Films, LLC	Salary and Misc. Reimbursables	02/02/09
Dwight Hovey	Transportation - Airfare/Airline Fees	01/31/09
Various Airlines	Transportation - Airfare/Airline Fees	11/25/08
Various Airlines	Transportation - Airfare/Airline Fees	11/26/08
Various Airlines	Transportation - Airfare/Airline Fees	12/11/08

Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total	
\$	-	436,311.26	-	436,311.26
-	-	1,000.00	-	1,000.00
-	6,858.19	-	-	6,858.19
-	-	44,389.16	-	44,389.16
-	1,677,047.59	-	-	1,677,047.59
-	475,860.34	-	-	475,860.34
-	150,047.70	-	-	150,047.70
-	11,330.36	-	-	11,330.36
-	9,821.00	-	-	9,821.00
-	13,320.15	-	-	13,320.15
-	74,495.20	-	-	74,495.20
-	175,842.06	-	-	175,842.06
-	15,681.53	-	-	15,681.53
-	43,225.73	-	-	43,225.73
-	99,503.45	-	-	99,503.45
-	19,619.80	-	-	19,619.80
-	120,683.26	-	-	120,683.26
-	277,712.05	-	-	277,712.05
-	8,187.88	-	-	8,187.88
-	-	4,572.23	-	4,572.23
-	3,748.68	-	-	3,748.68
-	-	35,000.00	-	35,000.00
-	2,800.00	-	-	2,800.00
-	4,500.00	-	-	4,500.00
-	252,539.94	-	-	252,539.94
-	148,244.98	-	-	148,244.98
-	170,273.55	-	-	170,273.55
-	40.00	-	-	40.00
-	-	10,244.10	-	10,244.10
-	-	15,257.78	-	15,257.78
-	-	14,815.10	-	14,815.10

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Ticket Out* (08-015)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Various Airlines	Transportation - Airfare/Airline Fees	12/19/08
Various Airlines	Transportation - Airfare/Airline Fees	12/19/08
Various Airlines	Transportation - Airfare/Airline Fees	01/14/09
Various Airlines	Transportation - Airfare/Airline Fees	02/04/09
Various Airlines	Transportation - Airfare/Airline Fees	02/12/09
John Wolfe	Transportation - Vehicle	02/12/09
Toyota of Des Moines	Transportation - Vehicle Purchase	02/02/09
Petty cash	Fuel	various
Petty cash	Lodging	various
Petty cash	Meals	various
Petty cash	Miscellaneous	various
Petty cash	Purchases	various
Petty cash	Shipping	various
Petty cash	Supplies	various
Pett cash	Transportation	various
Total		

Note: The following types of unqualified expenditures were not identified for this film:

- Payments to the producer and lead actors
- Deferred payments
- In-kind expenditures
- No proof of payment

Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	-	14,001.83	14,001.83
-	-	14,001.83	14,001.83
-	-	22,112.11	22,112.11
-	-	43,985.92	43,985.92
-	-	15,261.92	15,261.92
-	500.00	-	500.00
21,889.00	-	-	21,889.00
-	7,310.49	101.11	7,411.60
-	2,262.39	4,426.82	6,689.21
-	218.83	18.63	237.46
-	8,485.52	22.43	8,507.95
-	2,981.14	231.44	3,212.58
-	374.08	-	374.08
-	947.94	-	947.94
-	2,164.93	602.30	2,767.23
\$ 21,889.00	4,222,940.02	240,044.71	4,484,873.73

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Peacock* (08-005)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description
EPPS PURCHASING IOWA	Bank Fees
EPPS PURCHASING IOWA	Operations
EPPS PURCHASING IOWA	Pass Through Fees
EPPS PURCHASING IOWA	Shipping
EPPS PURCHASING IOWA LLC	Cell Phones
EPPS PURCHASING IOWA LLC	Film Processing
EPPS PURCHASING IOWA LLC	Fuel
EPPS PURCHASING IOWA LLC	Legal services
EPPS PURCHASING IOWA LLC	Meals
EPPS PURCHASING IOWA LLC	Misc. Reimbursables
EPPS PURCHASING IOWA LLC	PR
EPPS PURCHASING IOWA LLC	Purchases
EPPS PURCHASING IOWA LLC	Rentals
EPPS PURCHASING IOWA LLC	Salaries and Misc. Reimbursables
EPPS PURCHASING IOWA LLC	Sound
EPPS PURCHASING IOWA LLC	Supplies
EPPS PURCHASING IOWA LLC	Unknown
EPPS PURCHASING IOWA, LLC	Props
EPPS PURCHASING IOWA,LLC	Animals
EPPS PURCHASING IOWA,LLC	Bond Fee
EPPS PURCHASING IOWA,LLC	Equipment
EPPS PURCHASING IOWA,LLC	Transportation
AMAZING ANIMALS BY S	Fuel
AMERICAN BEST VALUE	Hotel
ATKINSON/DAVID	Purchases
ATKINSON/DAVID	Rentals
ATKINSON/DAVID	Supplies
BARSANDBOOTH.COM	Supplies
BRADLEY/ANNEMARIE	Supplies
BREEDING HARDWARE, I	Rentals
BREEDING'S TRUE VALU	Purchases
BREEDING'S TRUE VALU	Supplies
BRENTWOOD EXPRESS LI	Car Service
BRENTWOOD EXPRESS LI	Car Service
CAPS, INC.	Salaries
CIRKSENA/JANICE	Fees
CLASSIC EVENTS AND P	Rentals
CORNELISON/JAMES M.	Rentals
CORNERSTONE FELLOWSH	Rentals
CORT FURNITURE RENTA	Rentals

	No Proof of Payment	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
\$	-	312.86	-	312.86
	-	2,329.25	-	2,329.25
	-	18,897.48	-	18,897.48
	-	67,035.98	-	67,035.98
	-	2,188.90	-	2,188.90
	-	50,079.16	-	50,079.16
	-	13,297.45	-	13,297.45
	-	10,149.57	-	10,149.57
	-	32,138.85	-	32,138.85
	-	583.40	-	583.40
	-	1,108.60	-	1,108.60
	-	50,423.12	-	50,423.12
	-	62,617.52	-	62,617.52
	-	65,124.09	-	65,124.09
	-	4,775.57	-	4,775.57
	-	5,051.85	-	5,051.85
	-	350.00	-	350.00
	-	540.00	-	540.00
	-	131.15	-	131.15
	-	155,796.00	-	155,796.00
	-	11,532.16	-	11,532.16
	-	73,705.03	-	73,705.03
	-	83.45	-	83.45
	-	-	1,740.00	1,740.00
	-	214.00	-	214.00
	-	1,022.91	-	1,022.91
	-	1,416.38	-	1,416.38
	-	128.00	-	128.00
	-	310.69	-	310.69
	69.44	-	-	69.44
	248.77	-	-	248.77
	644.34	-	-	644.34
	150.00	-	-	150.00
	-	988.00	-	988.00
	-	-	33,533.21	33,533.21
	12,000.00	-	-	12,000.00
	-	-	4,435.20	4,435.20
	-	500.00	-	500.00
	-	-	1,000.00	1,000.00
	10,356.24	-	-	10,356.24

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Peacock* (08-005)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description
DIETZ/SHARON	<i>Unknown</i>
DIETZ/SHARON	Airfare
DIETZ/SHARON	Cell Phone
DIETZ/SHARON	Fuel
DIETZ/SHARON	Meals
DIETZ/SHARON	Rentals
DIETZ/SHARON	Shipping
EARLHAM BUILDING CEN	Supplies
EARLY/FRED	Fuel
EARLY/FRED	Purchases
EARLY/FRED	Shipping
ECLECTIC-ENCORE PROP	Prop
ENTERPRISE LEASING C	Rentals
FIREFLY CASTING	Shipping
FIRST STATE BANK	Purchases
FLOURISHES, INC.	Purchases
FN SPOT-A-POT, INC.	Rentals
GORRELL/KEN	Purchases
GRANARY MALL	Rentals
GREELEY/MALCOLM	Fuel
HAUL OF FAME STUDIO	Purchases
HILLIARD/KATHLEEN	Purchases
HISTORY FOR HIRE, IN	Purchases
HISTORY FOR HIRE, IN	Rentals
HURVITZ/AARON	Fuel
HYVARINEN/ANNE	Fuel
HYVARINEN/ANNE	Taxi
INN AT BATTLE CREEK/	Hotel
JOHNSON/STEPHANIE	Cell Phone
KALE FUNERAL HOME, I	Rentals
LANDER/MICHAEL	Purchases
LAZAR/JEFF	Taxi
MANDATE PICTURES	<i>Unknown</i>
MANDATE PICTURES	<i>Unknown</i>
MANDATE PICTURES	Cell Phone
MANDATE PICTURES	Fuel

No Proof of Payment	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
500.00	-	-	500.00
396.50	-	-	396.50
525.35	-	-	525.35
171.82	-	-	171.82
67.85	-	-	67.85
243.78	-	-	243.78
816.61	-	-	816.61
2,441.01	-	-	2,441.01
-	476.43	-	476.43
-	185.49	-	185.49
-	120.71	-	120.71
-	449.00	-	449.00
-	902.93	-	902.93
-	137.53	-	137.53
50.00	-	-	50.00
510.25	-	-	510.25
281.50	-	-	281.50
1,820.32	-	-	1,820.32
508.75	-	-	508.75
30.01	-	-	30.01
-	270.00	-	270.00
960.00	-	-	960.00
-	1,435.25	-	1,435.25
-	1,023.25	-	1,023.25
48.00	-	-	48.00
-	41.50	-	41.50
-	116.00	-	116.00
1,424.64	-	-	1,424.64
275.00	-	-	275.00
-	-	650.00	650.00
68.58	-	-	68.58
35.00	-	-	35.00
-	3,000.00	-	3,000.00
-	345.49	-	345.49
-	9.99	-	9.99
-	29.45	-	29.45

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Peacock* (08-005)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description
MANDATE PICTURES	Hotel
MANDATE PICTURES	Meals
MANDATE PICTURES	Rentals
MANDATE PICTURES	Transportation
OLLMAN/DAN	Misc. Reimbursables
QWEST COMMUNICATIONS	Phone
REILLY/SUSAN	Supplies
SANDERS/BRIAN C.	Fees
SANDERS/BRIAN C.	Purchases
SANDERS/BRIAN C.	Transportation
SC FUELS	Fuel
SC FUELS	Fuel
SHNOWSKI/JOEL S.	Fuel
TABLE 49, INC.	Hotel
TRAVEL CENTER, LTD/T	Airfare
TYRELL/RUSSELL	Fuel
VAUGHN/TERRI L.	Purchases
WASTE MANAGEMENT	Purchases
WEST ASSET MANAGEMEN	Phone
WHAT DO YOU COLLECT!	Purchases
WYBOURN/DEREK	<i>Unknown</i>
YOUNGSTROM/CHRISTINE	Hotel
YOUNGSTROM/CHRISTINE	Fuel
YOUNGSTROM/CHRISTINE	Shipping
EPPS PURCHASING IOWA, LLC	Payroll
Journal Entries	Journal Entries
Petty Cash	Airfare
Petty Cash	Animals
Petty Cash	Cameras
Petty Cash	Cell Phone
Petty Cash	Deposit
Petty Cash	Fuel
Petty Cash	Hotel
Petty Cash	Meals
Petty Cash	Misc. Reimbursables
Petty Cash	Purchases

No Proof of Payment	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	1,569.25	-	1,569.25
-	492.93	-	492.93
-	2,140.23	-	2,140.23
-	8,100.06	-	8,100.06
5,950.21	-	-	5,950.21
2,216.81	-	-	2,216.81
477.43	-	-	477.43
25.00	-	-	25.00
192.26	-	-	192.26
201.90	-	-	201.90
227.68	-	-	227.68
-	4,043.49	-	4,043.49
82.97	-	-	82.97
888.52	-	-	888.52
98,657.22	-	-	98,657.22
135.02	-	-	135.02
100.00	-	-	100.00
530.15	-	-	530.15
196.75	-	-	196.75
749.00	-	-	749.00
76.40	-	-	76.40
2,748.00	-	-	2,748.00
-	135.29	-	135.29
-	212.73	-	212.73
-	-	3,043,792.63	3,043,792.63
-	-	261,929.33	261,929.33
-	908.10	-	908.10
-	2,586.93	2,310.14	4,897.07
-	79,435.82	-	79,435.82
-	-	3,339.73	3,339.73
-	-	900.00	900.00
-	2,438.69	3,319.26	5,757.95
-	711.00	91.80	802.80
-	252.08	-	252.08
-	1,971.07	3,182.36	5,153.43
-	69,836.91	25,507.52	95,344.43

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Peacock* (08-005)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description
Petty Cash	Rentals
Petty Cash	Security
Petty Cash	Shipping
Petty Cash	Supplies
Petty Cash	Transportation
Petty Cash	Miscellaneous
Total	

Note: The following types of unqualified expenditures were not identified for this film:

Payments to the producer and lead actors
Deferred payments
In-kind expenditures
Not directly related to production

No Proof of Payment	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	4,133.98	4,307.56	8,441.54
-	-	-	-
-	77.45	9,305.18	9,382.63
	3,355.51	43,669.83	47,025.34
-	12,103.35	2,208.99	14,312.34
-	-	180,014.08	180,014.08
\$ 148,099.08	835,879.31	3,625,236.82	4,609,215.21

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *The Scientist* (08-011)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Prolific Post LLC	Post Production	12/12/08
West Productions	Other	12/12/08
1751 Madison	Site Rentals	09/29/08
Ampco	Fuel & Oil	Various
Auto Zone	Fuel & Oil	Various
Bag N Save	Catering	Various
Blockbuster	Production Office Supplies	09/05/08
BP Oil	Fuel & Oil	Various
Burger King	Catering	Various
Coats, Schultz, Watson	IA Legal	8/25/08, 10/15/08
Flying J	Fuel & Oil	Various
G's sinclair	Fuel & Oil	08/27/08
Hy Vee	Catering	Various
In The Bubble Development	Other Production Expens	12/04/08
Iowa's Bagels	Catering	09/04/08
Jiffy Lube	Fuel & Oil	10/31/08
Jimmy John's	Catering	09/04/08
Krispy Kreme	Catering	09/08/08
No Frills	Catering	Various
Office Max	Production Office Supplies	Various
Omni Center	Site Rentals	09/17/08
Scooter's	Catering	Various
Scott Street Pub	Catering	Various
Shell Oil	Fuel & Oil	Various
Story City LHBX	Fuel & Oil	10/13/08
Stuart 66	Catering	09/05/08
Super Center	Fuel & Oil	09/08/08
Super Saver	Catering	10/29/08
Taco Bell	Catering	Various
Teresa Mc Intosh	Site Rentals	09/30/08
Kum & Go	Fuel & Oil	Various
Unknown	Returned Deposit Item	11/25/08
Unknown	Copyright Fee	09/04/08

	In-Kind Expenditures	No Proof of Payment	Not Directly Related to Production	Out-of-State Vendor/Resident	Total
\$	474,450.00	-	-	-	474,450.00
	72,208.00	-	-	-	72,208.00
	-	235.39	-	-	235.39
	-	9.75	-	-	9.75
	-	(4.28)	-	-	(4.28)
	-	127.09	-	-	127.09
	-	16.09	-	-	16.09
	-	663.76	-	-	663.76
	-	11.31	-	-	11.31
	-	10,000.00	-	-	10,000.00
	-	116.91	-	-	116.91
	-	19.55	-	-	19.55
	-	52.93	-	-	52.93
	-	3,000.00	-	-	3,000.00
	-	5.97	-	-	5.97
	-	45.46	-	-	45.46
	-	6.69	-	-	6.69
	-	29.96	-	-	29.96
	-	797.06	-	-	797.06
	-	1,375.93	-	-	1,375.93
	-	2,500.00	-	-	2,500.00
	-	88.64	-	-	88.64
	-	86.82	-	-	86.82
	-	38.14	-	-	38.14
	-	44.91	-	-	44.91
	-	5.30	-	-	5.30
	-	31.35	-	-	31.35
	-	24.06	-	-	24.06
	-	11.73	-	-	11.73
	-	1,500.00	-	-	1,500.00
	-	394.73	-	-	394.73
	-	(1,969.30)	-	-	(1,969.30)
	-	35.00	-	-	35.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *The Scientist* (08-011)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Walgreen's	Cater, Production Office Supplies	Various
Unknown	Deluxe Check	10/28/08
Unknown	Service Charge	Various
Unknown	Bank Fee	Various
A.B.'s	Fuel & Oil	Various
Atherton 66	Fuel & Oil	10/20/08
Buckys	Catering/ Fuel & Oil	Various
Holiday Station	Catering	Various
Old Market Spaghetti	Catering	09/02/08
T4L Gas	Fuel & Oil	10/13/08
Trudy Noren	Catering	10/01/08
Wings America	Fuel & Oil	08/27/08
West Productions	Other	09/01/08
Total		

Note: The following types of unqualified expenditures were not identified for this film:

Payments to the producer and lead actors
Deferred payments
Paid but unsupported expenditures

In-Kind Expenditures	No Proof of Payment	Not Directly Related to Production	Out-of-State Vendor/Resident	Total
-	235.66	-	-	235.66
-	-	16.45	-	16.45
-	-	27.20	-	27.20
-	-	101.00	-	101.00
-	-	-	43.04	43.04
-	-	-	15.98	15.98
-	-	-	276.50	276.50
-	-	-	19.58	19.58
-	-	-	12.60	12.60
-	-	-	85.13	85.13
-	-	-	5,000.00	5,000.00
-	-	-	36.92	36.92
-	475,652.88	13,688.64	2,640,385.38	3,129,726.90
\$ 546,658.00	495,189.49	13,833.29	2,645,875.13	3,701,555.91

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *South Dakota* (08-004)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Dan Par Productions	<i>Unknown</i>	06/05/08
HHI Company	<i>Unknown</i>	04/29/08
HHI Company	<i>Unknown</i>	05/16/08
N.L. Parkison Trucking, Inc	<i>Unknown</i>	05/13/08
Various Airlines	Airfare	06/11/08
Various Airlines	Airfare	04/09/08
Various vendors	<i>Unknown</i>	06/02/08
Anna Wishart	Fuel Reimbursement	05/19/08
Central Presbyterian Church	<i>Unknown</i>	05/01/08
Charter Communications	<i>Unknown</i>	05/08/08
Chuck Warn	Reimbursement	05/19/08
Cinequipt	<i>Unknown</i>	04/09/08
Cinequipt	<i>Unknown</i>	05/27/08
Cinequipt Inc	<i>Unknown</i>	04/17/08
Clay Wilcox	Transportation - Reimbursement	05/16/08
Copeland Creative Talent	<i>Unknown</i>	03/05/08
CORT Furniture Rental	Furniture Rental	05/28/08
Arecibo Car & Limo Service	Transportation - Cab Fares	06/03/08
Fin Bevin	Apartment Lease	05/08/08
Fin Bevin	Apartment Lease	05/16/08
Amazing Animals by Samantha	<i>Unknown</i>	04/20/08
B & H Photo and Video	Purchases	04/09/08
B & H Photo and Video	Purchases	03/19/08
B & H Photo and Video	Purchases	03/05/08
Bandpro Film & Digital Inc	<i>Unknown</i>	05/07/08
Bill Josephsen	<i>Unknown</i>	04/29/08
Bill Josephsen	Casting	04/23/08
Bobbitt and Roberts	Legal Services	04/29/08
Bobbitt and Roberts	Legal Services	04/23/08
Bobbitt and Roberts	Legal Services	03/07/08

Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
\$	-	125.67	125.67
-	-	850.00	850.00
-	-	400.00	400.00
-	-	800.00	800.00
-	7,782.69	-	7,782.69
-	25,522.50	-	25,522.50
-	15,270.10	-	15,270.10
-	38.35	-	38.35
-	800.00	-	800.00
-	28.00	-	28.00
-	310.44	-	310.44
-	3,450.00	-	3,450.00
-	6,821.10	-	6,821.10
-	400.00	-	400.00
-	133.00	-	133.00
-	2,500.00	-	2,500.00
-	332.57	-	332.57
-	38.00	-	38.00
-	7,000.00	-	7,000.00
-	7,000.00	-	7,000.00
-	4,500.00	-	4,500.00
-	2,801.44	-	2,801.44
-	3,457.25	-	3,457.25
-	17,644.35	-	17,644.35
-	1,000.00	-	1,000.00
-	1,000.00	-	1,000.00
-	3,000.00	-	3,000.00
-	4,193.05	-	4,193.05
-	5,000.00	-	5,000.00
-	10,000.00	-	10,000.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *South Dakota* (08-004)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Cinema Secrets	<i>Unknown</i>	04/23/08
CommandSoft, Inc	<i>Unknown</i>	04/03/08
Confirmed Freight, LLC	<i>Unknown</i>	04/29/08
Cookin' with Lenny Catering	<i>Unknown</i>	04/29/08
Cookin' with Lenny Catering	<i>Unknown</i>	05/16/08
Cookin' with Lenny Catering	<i>Unknown</i>	05/07/08
Cookin' with Lenny Catering	<i>Unknown</i>	05/13/08
Cookin' with Lenny Catering	<i>Unknown</i>	05/02/08
Costco Online	<i>Unknown</i>	03/05/08
Cuddledown	<i>Unknown</i>	03/05/08
Dan parr Production Acct.	Production Invoicing	05/13/08
Dan parr Production Acct.	Production Invoicing	05/13/08
Dan Parr Production Acct.	Production Invoicing	05/13/08
Dan Parr Production	<i>Unknown</i>	05/19/08
Dan Parr Production	Administrative Fee	05/19/08
David Brymer	<i>Unknown</i>	05/22/08
David Tumblety	Accessories	05/07/08
Design Within Reach	<i>Unknown</i>	03/21/08
Emergent Systems Exchange	<i>Unknown</i>	05/16/08
Filmtools	Purchases	03/24/08
Greg Niska	<i>Unknown</i>	05/13/08
Helman's Movie Suites	<i>Unknown</i>	04/09/08
Helman's Movie Suites	<i>Unknown</i>	04/03/08
Helman's Movie Suites	<i>Unknown</i>	04/10/08
Helman's Movie Suites	<i>Unknown</i>	04/29/08
Helman's Movie Suites	Purchases	03/14/08
iCommunications, Inc	<i>Unknown</i>	05/07/08
JCL Barricade	<i>Unknown</i>	04/23/08
K&K Leasing, Inc	<i>Unknown</i>	04/03/08
K&K Leasing, Inc	<i>Unknown</i>	04/10/08
K&K Leasing, Inc	<i>Unknown</i>	04/29/08

Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	58.37	-	58.37
-	2,607.10	-	2,607.10
-	900.00	-	900.00
-	2,943.06	-	2,943.06
-	4,522.15	-	4,522.15
-	10,309.73	-	10,309.73
-	13,982.66	-	13,982.66
-	16,668.33	-	16,668.33
-	511.99	-	511.99
-	2,058.35	-	2,058.35
-	2,606.00	-	2,606.00
-	2,800.00	-	2,800.00
-	2,700.00	-	2,700.00
-	1,952.80	-	1,952.80
-	2,525.59	-	2,525.59
-	12,000.00	-	12,000.00
-	1,500.00	-	1,500.00
-	1,650.00	-	1,650.00
-	3,832.00	-	3,832.00
-	817.95	-	817.95
-	870.88	-	870.88
-	750.00	-	750.00
-	1,500.00	-	1,500.00
-	3,075.00	-	3,075.00
-	3,075.00	-	3,075.00
-	6,500.00	-	6,500.00
-	320.00	-	320.00
-	290.00	-	290.00
-	1,000.00	-	1,000.00
-	24,025.00	-	24,025.00
-	24,025.00	-	24,025.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *South Dakota* (08-004)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Le Palais des Thes	Tea Supply	04/09/08
Location Sound Corp	<i>Unknown</i>	05/13/08
Location Sound Corp	<i>Unknown</i>	05/21/08
Location Sound Corp	<i>Unknown</i>	05/21/08
Location Sound Corp	<i>Unknown</i>	04/09/08
Lunar Effects	<i>Unknown</i>	04/23/08
Marshall Electronics	<i>Unknown</i>	05/07/08
Med Pro Imaging, Inc	<i>Unknown</i>	05/13/08
Michelle Hartley	Reimbursement	05/13/08
Moses Isacson	<i>Unknown</i>	05/24/08
Nu Dell Manufacturing	<i>Unknown</i>	05/07/08
Paramount Pictures	<i>Unknown</i>	03/21/08
Piotr Redlinski - Still Photography	<i>Unknown</i>	05/21/08
Ready Art	<i>Unknown</i>	05/23/08
Ready Art	<i>Unknown</i>	05/21/08
Ready Art	<i>Unknown</i>	04/29/08
Scott Brymer	<i>Unknown</i>	05/23/08
Studio Prop Rental	<i>Unknown</i>	05/21/08
Studio Prop Rentals	Props	04/03/08
tapeandmedia.com	<i>Unknown</i>	04/03/08
tapeandmedia.com	<i>Unknown</i>	05/07/08
tapeandmedia.com	<i>Unknown</i>	04/29/08
tapeandmedia.com	<i>Unknown</i>	05/02/08
TD Productions	<i>Unknown</i>	05/07/08
U.S. Logistics, Inc	<i>Unknown</i>	05/13/08
Various Individuals	Music, Props, Accessories	03/18/09
Vision Communication Company	<i>Unknown</i>	05/16/08
W.M Creations, Inc	<i>Unknown</i>	03/24/08
Wintersilks	Clothing	05/07/08
Xpendable	<i>Unknown</i>	04/29/08
Haddads Inc	<i>Unknown</i>	06/04/08
Haddads Inc	<i>Unknown</i>	05/16/08

Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	102.00	-	102.00
-	62.03	-	62.03
-	62.03	-	62.03
-	71.96	-	71.96
-	1,092.88	-	1,092.88
-	1,550.00	-	1,550.00
-	240.00	-	240.00
-	23,000.00	-	23,000.00
-	72.00	-	72.00
-	900.00	-	900.00
-	30.51	-	30.51
-	719.00	-	719.00
-	1,050.00	-	1,050.00
-	835.91	-	835.91
-	1,169.77	-	1,169.77
-	1,687.41	-	1,687.41
-	11,000.00	-	11,000.00
-	4,445.00	-	4,445.00
-	4,500.00	-	4,500.00
-	1,412.66	-	1,412.66
-	2,134.17	-	2,134.17
-	3,517.08	-	3,517.08
-	3,562.67	-	3,562.67
-	10,269.00	-	10,269.00
-	220.00	-	220.00
-	15,700.00	-	15,700.00
-	2,450.00	-	2,450.00
-	1,299.00	-	1,299.00
-	423.90	-	423.90
-	202.50	-	202.50
-	215.37	-	215.37
-	3,275.00	-	3,275.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *South Dakota* (08-004)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
iCommunications, Inc	<i>Unknown</i>	05/05/08
John Pycha	<i>Unknown</i>	05/07/08
Kappa Studios, Inc	<i>Unknown</i>	06/02/08
C/O Lionheart Films, Inc	<i>Unknown</i>	05/19/08
Armen's Limousine Service	Transportation	05/08/08
Kevin Flynn	<i>Unknown</i>	05/08/08
C/O Central Presbyterian Church	<i>Unknown</i>	05/01/08
Bobbitt & Roberts	Legal Services	06/02/08
Lunar Effects	<i>Unknown</i>	05/08/08
Mac Melson	Fuel Reimbursement	05/27/08
Michael Schmid	<i>Unknown</i>	05/19/08
various vendors	<i>Unknown</i>	05/07/08
MPIPHP	Insurance Contribution	05/13/08
MPIPHP	Insurance Contribution	05/16/08
Piotr Redlinski	Transportation - Cab Fares	05/19/08
Regal Plastics	<i>Unknown</i>	03/27/08
Seeling-Lafferty Research, LLC	Purchases	05/19/08
Stephanie Erb	Reimbursement	05/19/08
The Hartford	<i>Unknown</i>	05/27/08
United Group, Inc	Insurance	03/26/08
United Group, Inc	Insurance	03/18/09
West Humphries	<i>Unknown</i>	05/13/08
West Humphries	<i>Unknown</i>	05/16/08
West Humphries	<i>Unknown</i>	04/16/08
William Walsh	<i>Unknown</i>	05/19/08
Maya Boettcher	Wrap Party Charges	05/19/08
Peoples Productions	Wrap Party Charges	05/28/08
Total		

Note: The following types of unqualified expenditures were not identified for this film:

- Payments to the producer and lead actors
- Deferred payments
- In-kind expenditures
- No proof of payment

Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	1,800.00	-	1,800.00
-	55.48	-	55.48
-	30,000.00	-	30,000.00
-	112.50	-	112.50
-	100.00	-	100.00
-	542.65	-	542.65
-	312.00	-	312.00
-	10,000.00	-	10,000.00
-	300.00	-	300.00
-	223.54	-	223.54
-	200.00	-	200.00
-	413.32	-	413.32
-	4,092.19	-	4,092.19
-	4,190.42	-	4,190.42
-	60.00	-	60.00
-	321.10	-	321.10
-	1,102.00	-	1,102.00
-	101.65	-	101.65
-	1,475.00	-	1,475.00
-	700.00	-	700.00
-	44,915.00	-	44,915.00
-	2,000.00	-	2,000.00
-	2,600.00	-	2,600.00
-	2,601.62	-	2,601.62
-	212.50	-	212.50
125.00	-	-	125.00
1,821.92	-	-	1,821.92
\$ 1,946.92	488,102.62	2,175.67	492,225.21

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Twelve Thirty* (09-002)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
LIMON VIDEO RENTAL	<i>Unknown</i>	07/22/09
LOMMEN ABDO LAW FIRM	<i>Unknown</i>	06/22/09
LIPSKYJEFF	<i>Unknown</i>	08/10/09
SATORIUS/DAN	<i>Unknown</i>	05/27/09
ACKERMAN/ANNE	<i>Unknown</i>	07/02/09
FITZPATRICK/KRYSTAL	<i>Unknown</i>	06/15/09
FORSYTHE/ERIC	<i>Unknown</i>	05/28/09
ABEL CINE TECH, INC.	<i>Unknown</i>	05/21/09
AIRWAVES, INC.	<i>Unknown</i>	05/22/09
AIRWAVES, INC.	<i>Unknown</i>	05/22/09
AIRWAVES, INC.	<i>Unknown</i>	06/23/09
ASLANDER STRATEGIC CORPORATION	<i>Unknown</i>	05/26/09
ASLANDER STRATEGIC CORPORATION	<i>Unknown</i>	06/03/09
ASLANDER STRATEGIC CORPORATION	<i>Unknown</i>	06/08/09
ASLANDER STRATEGIC CORPORATION	<i>Unknown</i>	06/15/09
BEGLEY LAW OFFICE PA	<i>Unknown</i>	06/23/09
BELINKIE/DANIEL	<i>Unknown</i>	06/17/09
BELINKIE/DANIEL	<i>Unknown</i>	06/09/09
BELINKIE/DANIEL	<i>Unknown</i>	06/04/09
BELINKIE/DANIEL	<i>Unknown</i>	06/24/09
BELL/NICK	<i>Unknown</i>	05/20/09
BELL/NICK	<i>Unknown</i>	06/04/09
BELL/NICK	<i>Unknown</i>	06/23/09
BELL/NICK	<i>Unknown</i>	06/09/09
BELL/NICK	<i>Unknown</i>	06/23/09
BEN'S LUXURY CAR & LIMO	<i>Unknown</i>	05/21/09
BEN'S LUXURY CAR & LIMO	<i>Unknown</i>	06/23/09
BRADSHAW/AMY	<i>Unknown</i>	05/26/09
BRADSHAW/AMY	<i>Unknown</i>	06/09/09
BRADSHAW/AMY	<i>Unknown</i>	07/23/09
BRADSHAW/AMY	<i>Unknown</i>	05/22/09

	Deferred Payments	No Proof of Payment	Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
\$	-	-	-	264.87	-	264.87
	-	-	-	24,757.53	-	24,757.53
	-	-	-	1,688.86	-	1,688.86
	-	-	-	1,000.28	-	1,000.28
	-	-	-	-	150.00	150.00
	-	-	-	-	200.00	200.00
	-	-	-	-	200.00	200.00
	-	-	-	1,125.00	-	1,125.00
	-	-	-	5,000.00	-	5,000.00
	-	-	-	600.00	-	600.00
	-	-	-	170.00	-	170.00
	-	-	-	750.00	-	750.00
	-	-	-	1,536.25	-	1,536.25
	-	-	-	1,534.38	-	1,534.38
	-	-	-	1,672.92	-	1,672.92
	-	-	-	364.25	-	364.25
	-	-	-	1,696.96	-	1,696.96
	-	-	-	1,569.69	-	1,569.69
	-	-	-	1,580.63	-	1,580.63
	-	-	-	650.00	-	650.00
	-	-	-	1,000.00	-	1,000.00
	-	-	-	1,800.00	-	1,800.00
	-	-	-	595.00	-	595.00
	-	-	-	900.00	-	900.00
	-	-	-	900.00	-	900.00
	-	-	-	1,125.00	-	1,125.00
	-	-	-	1,177.68	-	1,177.68
	-	-	-	2,000.00	-	2,000.00
	-	-	-	1,768.72	-	1,768.72
	-	-	-	1,677.94	-	1,677.94
	-	-	-	3,000.00	-	3,000.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Twelve Thirty* (09-002)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
BRADSHAW/AMY	<i>Unknown</i>	05/27/09
BRADSHAW/AMY	<i>Unknown</i>	06/17/09
BRADSHAW/AMY	<i>Unknown</i>	06/24/09
BRADSHAW/AMY	<i>Unknown</i>	06/24/09
BRAUDE/INNA	<i>Unknown</i>	05/26/09
BRAUDE/INNA	<i>Unknown</i>	05/23/09
BRAUDE/INNA	<i>Unknown</i>	06/08/09
BRAUDE/INNA	<i>Unknown</i>	06/08/09
BRAUDE/INNA	<i>Unknown</i>	06/18/09
C.A. MOSE PRODUCTION SERVICES	<i>Unknown</i>	06/08/09
C.A. MOSE PRODUCTION SERVICES	<i>Unknown</i>	06/03/09
C.A. MOSE?PRODUCTION SERVICES	<i>Unknown</i>	06/15/09
C5, INC.	<i>Unknown</i>	08/27/09
CINEQUIPT, INC.	<i>Unknown</i>	05/21/09
CINEQUIPT, INC.	<i>Unknown</i>	06/11/09
CINEQUIPT, INC.	<i>Unknown</i>	06/23/09
CINEQUIPT, INC.	<i>Unknown</i>	06/23/09
COURIER CAR RENTAL	<i>Unknown</i>	05/20/09
COURIER CAR RENTAL	<i>Unknown</i>	06/24/09
COURIER CAR RENTAL	<i>Unknown</i>	10/22/09
COURIER CAR RENTAL	<i>Unknown</i>	08/10/09
DEDOTEC USA, INC.	<i>Unknown</i>	06/23/09
DESLICH/RAE	<i>Unknown</i>	06/09/09
DESLICH/RAE	<i>Unknown</i>	06/09/09
DU ART FILM LABORATORIES, INC.	<i>Unknown</i>	05/21/09
EL ETREBY/AMINA	<i>Unknown</i>	06/04/09
EXPENDABLES PLUS, LLC	<i>Unknown</i>	06/03/09
EXPENDABLES PLUS, LLC	<i>Unknown</i>	05/21/09
EXPENDABLES PLUS, LLC	<i>Unknown</i>	06/17/09

Deferred Payments	No Proof of Payment	Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	-	-	2,000.00	-	2,000.00
-	-	-	1,674.47	-	1,674.47
-	-	-	300.00	-	300.00
-	-	-	3,000.00	-	3,000.00
-	-	-	1,500.00	-	1,500.00
-	-	-	1,500.00	-	1,500.00
-	-	-	1,500.00	-	1,500.00
-	-	-	1,500.00	-	1,500.00
-	-	-	1,500.00	-	1,500.00
-	-	-	2,325.00	-	2,325.00
-	-	-	2,894.19	-	2,894.19
-	-	-	2,450.00	-	2,450.00
-	-	-	3,000.00	-	3,000.00
-	-	-	4,617.67	-	4,617.67
-	-	-	587.50	-	587.50
-	-	-	1,135.00	-	1,135.00
-	-	-	337.50	-	337.50
-	-	-	2,000.00	-	2,000.00
-	-	-	762.21	-	762.21
-	-	-	142.63	-	142.63
-	-	-	152.75	-	152.75
-	-	-	106.50	-	106.50
-	-	-	159.75	-	159.75
-	-	-	250.00	-	250.00
-	-	-	8,500.00	-	8,500.00
-	-	-	125.00	-	125.00
-	-	-	55.00	-	55.00
-	-	-	2,054.47	-	2,054.47
-	-	-	41.00	-	41.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Twelve Thirty* (09-002)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
FEDERAL EXPRESS	<i>Unknown</i>	06/23/09
HAND HELD FILMS	<i>Unknown</i>	05/21/09
HAND HELD FILMS	<i>Unknown</i>	06/04/09
HARTLEY/JULIE	<i>Unknown</i>	04/03/09
HASTINGSNIRGINIA	<i>Unknown</i>	06/30/09
JOHN B DESIGN	<i>Unknown</i>	11/09/09
JOHN B DESIGN	<i>Unknown</i>	08/27/09
KATZ,MD/LOUIS A	<i>Unknown</i>	06/04/09
KATZ,MD/LOUIS A	<i>Unknown</i>	06/04/09
LIMON VIDEO RENTAL	<i>Unknown</i>	05/26/09
LIPSKY/JEFF	<i>Unknown</i>	05/27/09
LIPSKY/JEFF	<i>Unknown</i>	06/15/09
LIPSKY/JEFF	<i>Unknown</i>	11/09/09
LIPSKY/JEFF	<i>Unknown</i>	08/27/09
LIPSKY/JEFF	<i>Unknown</i>	08/27/09
LIPSKYI/JEFF	<i>Unknown</i>	09/29/09
LOMMEN ABOO LAW FIRM	<i>Unknown</i>	06/23/09
LOMMEN ABOO LAW FIRM	<i>Unknown</i>	06/23/09
LOMMEN ABOO LAW FIRM	<i>Unknown</i>	06/23/09
LOMMEN ABOO LAW FIRM	<i>Unknown</i>	06/23/09
LOMMEN ABOO LAW FIRM	<i>Unknown</i>	06/23/09
LOMMEN ABOO LAW FIRM	<i>Unknown</i>	06/23/09
MILE SQUARE PRODUCTIONS, INC.	<i>Unknown</i>	10/13/00
MILE SQUARE PRODUCTIONS, INC.	<i>Unknown</i>	10/13/09
MILE SQUARE PRODUCTIONS, INC.	<i>Unknown</i>	11/09/09
MILE SQUARE PRODUCTIONS, INC.	<i>Unknown</i>	06/23/09
MILE SQUARE PRODUCTIONS, INC.	<i>Unknown</i>	06/23/09
MILE SQUARE PRODUCTIONS, INC.	<i>Unknown</i>	07/14/09
MILE SQUARE PRODUCTIONS, INC.	<i>Unknown</i>	08/10/09
MILE SQUARE PRODUCTIONS, INC.	<i>Unknown</i>	07/14/09

Deferred Payments	No Proof of Payment	Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	-	-	33.45	-	33.45
-	-	-	6,231.56	-	6,231.56
-	-	-	498.53	-	498.53
-	-	-	2,000.00	-	2,000.00
-	-	-	250.00	-	250.00
-	-	-	3,141.36	-	3,141.36
-	-	-	1,047.12	-	1,047.12
-	-	-	500.00	-	500.00
-	-	-	200.00	-	200.00
-	-	-	1,056.66	-	1,056.66
-	-	-	822.72	-	822.72
-	-	-	20,000.00	-	20,000.00
-	-	-	489.43	-	489.43
-	-	-	15,000.00	-	15,000.00
-	-	-	10,000.00	-	10,000.00
-	-	-	1,196.75	-	1,196.75
-	-	-	5,464.68	-	5,464.68
-	-	-	79.00	-	79.00
-	-	-	3,764.17	-	3,764.17
-	-	-	8,039.84	-	8,039.84
-	-	-	3,670.00	-	3,670.00
-	-	-	3,739.84	-	3,739.84
-	-	-	8,400.00	-	8,400.00
-	-	-	630.00	-	630.00
-	-	-	6,450.00	-	6,450.00
-	-	-	5,200.00	-	5,200.00
-	-	-	390.00	-	390.00
-	-	-	8,000.00	-	8,000.00
-	-	-	8,000.00	-	8,000.00
-	-	-	600.00	-	600.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Twelve Thirty* (09-002)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
MILE SQUARE PRODUCTIONS, INC.	<i>Unknown</i>	08/10/09
MILLS/MARIAH	<i>Unknown</i>	06/11/09
MONKEYLAND AUDIO, INC.	<i>Unknown</i>	08/27/09
O'MALLEY/RUBEN	<i>Unknown</i>	06/17/09
O'MALLEY/RUBEN	<i>Unknown</i>	05/21/09
O'MALLEY/RUBEN	<i>Unknown</i>	06/09/09
PIGNARD, JR/MARIO	<i>Unknown</i>	06/05/09
PIGNARD, JR/MARIO	<i>Unknown</i>	06/05/09
PIGNARD, JR/MARIO	<i>Unknown</i>	06/09/09
PIGNARD, JR/MARIO	<i>Unknown</i>	06/17/09
POSTWORKS	<i>Unknown</i>	09/29/09
POSTWORKS	<i>Unknown</i>	11/09/09
PRESS/JEFF	<i>Unknown</i>	05/26/09
PRESS/JEFF	<i>Unknown</i>	06/04/09
PRESS/JEFF	<i>Unknown</i>	06/23/09
PRESS/JEFF	<i>Unknown</i>	06/13/09
PRESS/JEFF	<i>Unknown</i>	06/09/09
PRESS/JEFF	<i>Unknown</i>	06/17/09
PRESS/JEFF	<i>Unknown</i>	06/23/09
PRESS/JEFF	<i>Unknown</i>	08/10/09
PRESS/JEFF	<i>Unknown</i>	09/29/09
PRESS/JEFF	<i>Unknown</i>	07/16/09
RANDALL/KATHY	<i>Unknown</i>	06/15/09
RANDALL/KATHY	<i>Unknown</i>	07/02/09
RANDALL/KATHY	<i>Unknown</i>	07/13/09
RANDALL/KATHY	<i>Unknown</i>	07/23/09
RANDALL/KATHY	<i>Unknown</i>	06/03/09
RANDALL/KATHY	<i>Unknown</i>	06/08/09
RANDALL/KATHY	<i>Unknown</i>	07/16/09
SATORIUS/DAN	<i>Unknown</i>	06/15/09

Deferred Payments	No Proof of Payment	Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	-	-	600.00	-	600.00
-	-	-	250.00	-	250.00
-	-	-	600.00	-	600.00
-	-	-	2,000.00	-	2,000.00
-	-	-	4,000.00	-	4,000.00
-	-	-	4,000.00	-	4,000.00
-	-	-	1,626.51	-	1,626.51
-	-	-	3,200.00	-	3,200.00
-	-	-	1,608.12	-	1,608.12
-	-	-	1,685.57	-	1,685.57
-	-	-	30,021.00	-	30,021.00
-	-	-	30,021.00	-	30,021.00
-	-	-	2,250.00	-	2,250.00
-	-	-	1,500.00	-	1,500.00
-	-	-	1,500.00	-	1,500.00
-	-	-	4,000.00	-	4,000.00
-	-	-	1,500.00	-	1,500.00
-	-	-	1,500.00	-	1,500.00
-	-	-	1,500.00	-	1,500.00
-	-	-	1,500.00	-	1,500.00
-	-	-	2,000.00	-	2,000.00
-	-	-	1,000.00	-	1,000.00
-	-	-	840.00	-	840.00
-	-	-	700.00	-	700.00
-	-	-	960.00	-	960.00
-	-	-	121.66	-	121.66
-	-	-	420.00	-	420.00
-	-	-	840.00	-	840.00
-	-	-	560.00	-	560.00
-	-	-	20,000.00	-	20,000.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Twelve Thirty* (09-002)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
SATORIUS/DAN	<i>Unknown</i>	06/24/09
SATORIUSIDAN	<i>Unknown</i>	10/22/09
SAVADA/ERIC	<i>Unknown</i>	06/03/09
SIMPLY STORAGE	<i>Unknown</i>	07/22/09
SIMPLY STORAGE	<i>Unknown</i>	08/06/09
SIMPLY STORAGE	<i>Unknown</i>	09/10/09
SUSIE Q PRODUCTIONS	<i>Unknown</i>	11/09/09
SUSIE Q PRODUCTIONS	<i>Unknown</i>	05/26/09
SUSIE Q PRODUCTIONS	<i>Unknown</i>	06/05/09
SUSIE Q PRODUCTIONS	<i>Unknown</i>	06/11/09
SUSIE Q PRODUCTIONS	<i>Unknown</i>	06/15/09
SUSIE Q PRODUCTIONS	<i>Unknown</i>	06/23/09
SUSIE Q PRODUCTIONS	<i>Unknown</i>	08/10/09
SUSIE Q PRODUCTIONS	<i>Unknown</i>	08/27/09
SUSIE Q PRODUCTIONS	<i>Unknown</i>	09/29/09
SUSIE Q PRODUCTIONS	<i>Unknown</i>	05/27/09
SUSIE Q PRODUCTIONS	<i>Unknown</i>	06/08/09
SWANSEY/SCOTT	<i>Unknown</i>	06/22/09
SWANSEY/SCOTT	<i>Unknown</i>	05/21/09
SWANSEY/SCOTT	<i>Unknown</i>	06/05/09
SWANSEY/SCOTT	<i>Unknown</i>	06/17/09
WEST/SHELLY	<i>Unknown</i>	05/26/09
WEST/SHELLY	<i>Unknown</i>	06/08/09
WEST/SHELLY	<i>Unknown</i>	06/15/09
WEST/SHELLY	<i>Unknown</i>	06/15/09
WODOWSKI/NICOLE	<i>Unknown</i>	06/04/09
WODOWSKI/NICOLE	<i>Unknown</i>	06/11/09
WODOWSKI/NICOLE	<i>Unknown</i>	06/17/09
CORNFIELD'S PROCESSING SERVICES, INC.	<i>Unknown</i>	09/10/09
LANGEL/JORDAN	<i>Unknown</i>	08/31/09
LANGEL/MILES	<i>Unknown</i>	08/31/09

Deferred Payments	No Proof of Payment	Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	-	-	1,298.99	-	1,298.99
-	-	-	5,447.02	-	5,447.02
-	-	-	220.00	-	220.00
-	-	-	80.80	-	80.80
-	-	-	152.00	-	152.00
-	-	-	77.00	-	77.00
-	-	-	2,077.64	-	2,077.64
-	-	-	6,666.00	-	6,666.00
-	-	-	3,333.00	-	3,333.00
-	-	-	3,333.00	-	3,333.00
-	-	-	3,333.00	-	3,333.00
-	-	-	3,335.00	-	3,335.00
-	-	-	1,000.00	-	1,000.00
-	-	-	1,000.00	-	1,000.00
-	-	-	4,000.00	-	4,000.00
-	-	-	1,000.00	-	1,000.00
-	-	-	1,000.00	-	1,000.00
-	-	-	1,000.00	-	1,000.00
-	-	-	1,000.00	-	1,000.00
-	-	-	1,000.00	-	1,000.00
-	-	-	1,000.00	-	1,000.00
-	-	-	1,000.00	-	1,000.00
-	-	-	2,000.00	-	2,000.00
-	-	-	1,000.00	-	1,000.00
-	-	-	697.00	-	697.00
-	-	-	1,635.31	-	1,635.31
-	-	-	1,638.75	-	1,638.75
-	-	-	1,762.50	-	1,762.50
-	-	-	1,543.20	-	1,543.20
-	-	-	-	50.00	50.00
-	-	-	-	50.00	50.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Twelve Thirty* (09-002)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
LEBER/SUSAN	<i>Unknown</i>	05/18/09
N - Manual	<i>Unknown</i>	08/31/09
RADIOLOGY CONSULTANTS OF IOWA	<i>Unknown</i>	10/07/09
SATORIUS/ASHLEY	<i>Unknown</i>	08/12/09
SCOTT COUNTY CLERK OF COURT	<i>Unknown</i>	06/16/09
SMITH TALENT GROUP	<i>Unknown</i>	07/23/09
VANCE LAW OFFICES	<i>Unknown</i>	07/22/09
VANCE LAW OFFICES	<i>Unknown</i>	07/22/09
WILLIAMS/JESSIE	<i>Unknown</i>	08/12/09
IOWA FILM SERVICES	<i>Unknown</i>	06/03/09
IOWA FILM SERVICES	<i>Unknown</i>	06/10/09
IOWA FILM SERVICES	<i>Unknown</i>	06/12/09
IOWA FILM SERVICES	<i>Unknown</i>	06/18/09
PASS THRU IOWA, LLC	<i>Unknown</i>	06/03/09
PASS THRU IOWA, LLC	<i>Unknown</i>	06/10/09
PASS THRU IOWA, LLC	<i>Unknown</i>	06/12/09
PASS THRU IOWA, LLC	<i>Unknown</i>	06/18/09
PASS THRU IOWA, LLC	<i>Unknown</i>	07/01/09
IOWA FILM SERVICES	<i>Unknown</i>	07/01/09
IOWA FILM SERVICES	<i>Unknown</i>	08/27/09
IOWA FILM SERVICES	<i>Unknown</i>	10/07/09
Various *	<i>Unknown</i>	various
Petty cash	Fuel	various
Petty cash	Hotel	various
Petty cash	Food	various
Petty cash	Wardrobe	various
Petty cash	Transportation	various
Petty cash	Miscellaneous	various
Total		

* - Twelve Thirty Productions provided a total for deferred payments. They did not provide a listing of individuals.

Note: The following types of unqualified expenditures were not identified for this film:

Payments to the producer and lead actors

In-kind expenditures

Deferred Payments	No Proof of Payment	Not Directly Related to Production	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	-	-	5,000.00	-	5,000.00
-	-	-	-	50.00	50.00
-	-	-	-	38.00	38.00
-	-	-	-	100.00	100.00
-	-	83.00	-	-	83.00
-	-	-	-	241.77	241.77
-	-	-	-	800.00	800.00
-	-	-	-	414.00	414.00
-	-	-	-	100.00	100.00
-	-	-	-	1543.75	1,543.75
-	-	-	-	230.63	230.63
-	-	-	-	615.23	615.23
-	-	-	-	574.21	574.21
-	-	-	-	1054.15	1,054.15
-	-	-	-	739.53	739.53
-	-	-	-	898.47	898.47
-	-	-	-	761.32	761.32
-	-	-	-	1276.23	1,276.23
-	-	-	-	196.42	196.42
-	-	-	-	31566.23	31,566.23
-	-	-	-	9173.54	9,173.54
1,544,164.00	-	-	-	-	1,544,164.00
-	-	-	301.46	64.00	365.46
-	-	-	536.21	350.00	886.21
-	-	-	296.33	309.94	606.27
-	-	-	4,003.86	-	4,003.86
-	-	-	442.72	-	442.72
-	25.00	-	2,120.06	34,844.74	36,989.80
\$ 1,544,164.00	25.00	83.00	420,606.42	86,592.16	2,051,470.58

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Children of the Corn* (08-019)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Appiano Activates	Various	PC
Appiano Activities	AAA Rents	10/02/08
Appiano Activities	AAA Rents	10/02/08
Appiano Activities	AAA Rents	10/02/08
Appiano Activities	AAA Rents	09/17/08
Appiano Activities	Adam Mohundro	09/25/08
Appiano Activities	AirTran	09/17/09
Appiano Activities	AirTran/Airline Fees	10/04/08
Appiano Activities	Alan Tuskes	09/25/08
Appiano Activities	Alexander, Nau, Lawrence & Frumes LLP	10/06/08
Appiano Activities	Amazing Animals by Samantha	09/17/08
Appiano Activities	Ambyr Davis	PC
Appiano Activities	Andrea Metzler	09/16/08
Appiano Activities	Andrew Hussey	09/26/08
Appiano Activities	Bartlomiej Swiatek	09/25/08
Appiano Activities	Behind the Scenes Worldwide Logistics Inc	09/24/08
Appiano Activities	Bill's Auto Works/Car Transport	08/21/08
Appiano Activities	Brian Hagens	10/02/08
Appiano Activities	Brian Hagens/Purchases	09/19/08
Appiano Activities	Brian Sanders	PC
Appiano Activities	C&J Upholstery	09/05/08
Appiano Activities	Carla Klein	09/26/08
Appiano Activities	Charlotte Scovill	PC
Appiano Activities	Chris Musick	08/28/08
Appiano Activities	Christopher Musick	09/26/08
Appiano Activities	Cinelogistics	10/02/08
Appiano Activities	Clairmont Camera Inc	08/28/08
Appiano Activities	Clairmont Camera Inc	09/09/08
Appiano Activities	Clairmont Camera Inc	09/11/08

	No Proof of Payment	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
\$	-	17,671.02	-	17,671.02
	-	8,411.12	-	8,411.12
	-	288.90	-	288.90
	-	8,570.70	-	8,570.70
	-	-	1,128.32	1,128.32
	-	35.61	-	35.61
	-	52.00	-	52.00
	-	60.00	-	60.00
	-	86.23	-	86.23
	-	20,000.00	-	20,000.00
	-	2,792.12	-	2,792.12
	-	894.78	-	894.78
	-	400.00	-	400.00
	-	157.25	-	157.25
	-	160.12	-	160.12
	-	788.00	-	788.00
	-	1,185.00	-	1,185.00
	-	600.00	-	600.00
	-	600.00	-	600.00
	-	2,559.62	-	2,559.62
	-	1,979.50	-	1,979.50
	-	2,301.92	-	2,301.92
	-	1,001.07	-	1,001.07
	-	2,520.00	-	2,520.00
	-	2,496.78	-	2,496.78
	-	7,000.00	-	7,000.00
	-	33,690.60	-	33,690.60
	-	520.00	-	520.00
	-	1,155.00	-	1,155.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Children of the Corn* (08-019)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Appiano Activities	Clairmont Camera Inc	09/12/08
Appiano Activities	Clairmont Camera Inc	09/24/08
Appiano Activities	Classic Cars of SC, Inc	08/15/08
Appiano Activities	Curtis Smith DBA CMS Camera Support	09/27/09
Appiano Activities	Delta Air/Airfare	09/17/09
Appiano Activities	Dennis Steele	09/26/08
Appiano Activities	Donald Borchers	09/24/08
Appiano Activities	Donald Borchers/Online purchase	09/16/08
Appiano Activities	Eastman Kodak Co	09/05/08
Appiano Activities	Elena Chernock/Airfare	08/28/08
Appiano Activities	Entertainment Industry Physicians	08/27/08
Appiano Activities	Essanay Studio and Lighting Company, Inc	08/28/08
Appiano Activities	Essanay Studio and Lighting Company, Inc	09/11/08
Appiano Activities	Essanay Studio and Lighting Company, Inc	09/12/08
Appiano Activities	Expeida/Online purchase	08/28/08
Appiano Activities	Expeida/Online purchase	09/09/08
Appiano Activities	Expeida/Online purchase	09/09/08
Appiano Activities	Fed Ex/Shipping	09/09/08
Appiano Activities	Fed Ex/Shipping	09/09/08
Appiano Activities	Fed Ex/Shipping	09/09/08
Appiano Activities	Fed Ex/Shipping	09/12/08
Appiano Activities	Fed Ex/Shipping	09/25/08
Appiano Activities	Fed Ex/Shipping	09/25/08
Appiano Activities	Fed Ex/Shipping	09/26/08
Appiano Activities	Fed Ex/Shipping	09/30/08
Appiano Activities	Fed Ex/Shipping	10/02/08
Appiano Activities	Fed Ex/Shipping	10/02/08
Appiano Activities	Fed Ex/Shipping	10/02/08
Appiano Activities	Fed Ex/Shipping	09/05/08
Appiano Activities	FedEx	09/16/08
Appiano Activities	FedEx	09/19/08

No Proof of Payment	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	7,470.00	-	7,470.00
-	480.00	-	480.00
-	2,500.00	-	2,500.00
-	6,000.00	-	6,000.00
259.00	-	-	259.00
-	3,004.02	-	3,004.02
-	755.92	-	755.92
-	294.65	-	294.65
-	482.09	-	482.09
-	275.00	-	275.00
-	95.00	-	95.00
-	1,198.80	-	1,198.80
-	1,624.32	-	1,624.32
-	972.00	-	972.00
-	7.00	-	7.00
-	7.00	-	7.00
-	562.00	-	562.00
1,858.01	-	-	1,858.01
1,978.12	-	-	1,978.12
31.67	-	-	31.67
37.80	-	-	37.80
532.88	-	-	532.88
465.68	-	-	465.68
1,360.12	-	-	1,360.12
69.40	-	-	69.40
3,989.50	-	-	3,989.50
408.14	-	-	408.14
294.60	-	-	294.60
-	-	130.35	130.35
-	316.05	-	316.05
-	790.31	-	790.31

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Children of the Corn* (08-019)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Appiano Activities	FedEx	09/17/09
Appiano Activities	Film Logic Customs Brokers Inc.	10/06/08
Appiano Activities	Film Logic Customs Brokers Inc.	10/06/08
Appiano Activities	Film Source LA	10/02/08
Appiano Activities	Filmtools/Online Purchase	09/09/08
Appiano Activities	Filmtools/Online Purchase	09/09/08
Appiano Activities	Filmtools/Online Purchase	09/09/08
Appiano Activities	Filmtools/Online Purchase	09/09/08
Appiano Activities	Filmtools/Online Purchase	09/25/08
Appiano Activities	Filmtools/Online Purchase	10/02/08
Appiano Activities	Filmtools/Online Purchase	09/17/09
Appiano Activities	Frank Anderson	09/26/08
Appiano Activities	G. Andrew Hussey	08/27/08
Appiano Activities	Gary Arnold/Fuel	10/02/08
Appiano Activities	Genesis Occupational Health	10/02/08
Appiano Activities	Gracie Klein	09/26/08
Appiano Activities	Gracie Klein	PC
Appiano Activities	Gypsy Grips, Inc.	09/27/09
Appiano Activities	Hand Prop Room	09/05/08
Appiano Activities	Heather Collins/Filmtools	09/24/08
Appiano Activities	Heather Collins/Hotel, Airfare	09/05/08
Appiano Activities	Him Ani Productions	10/06/08
Appiano Activities	Hi-Nee Huts	09/26/08
Appiano Activities	Hollywood Film Office, LLC	10/06/08
Appiano Activities	Independent Audio Inc.	09/09/08
Appiano Activities	Independent Audio Inc.	09/17/08
Appiano Activities	Independent Audio Inc.	09/19/08
Appiano Activities	Independent Audio Inc.	09/24/08
Appiano Activities	Independent Audio Inc.	09/26/08
Appiano Activities	Jamie Rose	08/18/08
Appiano Activities	Jason Crawford	10/02/08

No Proof of Payment	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	1,029.96	-	1,029.96
-	3,298.00	-	3,298.00
-	5,343.55	-	5,343.55
-	3,189.66	-	3,189.66
-	113.20	-	113.20
-	179.12	-	179.12
-	415.79	-	415.79
-	298.32	-	298.32
-	348.85	-	348.85
-	63.80	-	63.80
-	43.60	-	43.60
-	321.70	-	321.70
-	555.06	-	555.06
-	115.05	-	115.05
-	127.00	-	127.00
-	2,942.02	-	2,942.02
-	96.92	-	96.92
-	8,000.00	-	8,000.00
-	1,037.88	-	1,037.88
-	98.85	-	98.85
-	186.33	-	186.33
-	10,000.00	-	10,000.00
-	720.00	-	720.00
-	5,168.00	-	5,168.00
-	1,500.00	-	1,500.00
-	1,500.00	-	1,500.00
-	1,031.49	-	1,031.49
-	1,500.00	-	1,500.00
-	1,500.00	-	1,500.00
-	2,700.00	-	2,700.00
-	600.00	-	600.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Children of the Corn* (08-019)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Appiano Activities	Jeff's Auto Body & Towing/Car Transport	09/19/08
Appiano Activities	Jesse Anderson	PC
Appiano Activities	John Black/Airline Fees	09/26/08
Appiano Activities	John Joleaud	09/24/008
Appiano Activities	Jose Eber Atelier/Haircut	08/27/08
Appiano Activities	Jose Eber Atelier/Haircut	09/05/08
Appiano Activities	Juanita Darin	08/28/08
Appiano Activities	Justin Sundquist/Rentals	09/19/08
Appiano Activities	Justin Watson	09/12/08
Appiano Activities	Justin Watson	09/12/08
Appiano Activities	K&K Leasing	09/03/08
Appiano Activities	K&K Leasing	09/05/08
Appiano Activities	K&K Leasing	09/11/08
Appiano Activities	K&K Leasing	09/12/08
Appiano Activities	Keith Talley DBA Arizona Grip Eq. Rent	09/27/09
Appiano Activities	Keith Talley/Bank Fee	10/02/08
Appiano Activities	Keith Talley/Misc. Reimbursables	09/05/08
Appiano Activities	Keith Tally	09/16/08
Appiano Activities	Klein Motors, Inc.	09/12/08
Appiano Activities	Labor Ready Midwest, Inc.	09/24/08
Appiano Activities	LaserPacific Media Corp	09/09/08
Appiano Activities	LaserPacific Media Corp	10/06/08
Appiano Activities	LaserPacific Media Corp/Other	various
Appiano Activities	LaserPacific Media Corp/Open Account	09/25/08
Appiano Activities	Laurie Ingram	08/21/08
Appiano Activities	Laurie Ingram/Salary & Misc. Reimbursables	08/21/08
Appiano Activities	Lawrence Daufenback	09/11/08
Appiano Activities	Mail Boxes Etc	08/18/08
Appiano Activities	Marc Muehleip	10/02/08
Appiano Activities	Mat Stratton	09/05/08
Appiano Activities	Matthew T. Stratton Special FX	09/27/09

No Proof of Payment	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	1,500.00	-	1,500.00
-	1,360.19	-	1,360.19
-	50.00	-	50.00
-	875.00	-	875.00
-	865.13	-	865.13
-	235.00	-	235.00
14,500.00	-	-	14,500.00
-	3,306.83	-	3,306.83
-	365.84	-	365.84
-	180.29	-	180.29
-	14,175.00	-	14,175.00
-	14,175.00	-	14,175.00
-	14,175.00	-	14,175.00
-	14,725.00	-	14,725.00
-	3,600.00	-	3,600.00
10.00	-	-	10.00
-	751.92	-	751.92
-	-	871.23	871.23
-	462.50	-	462.50
-	785.56	-	785.56
-	10,000.00	-	10,000.00
-	22,510.87	-	22,510.87
-	31,440.07	-	31,440.07
-	25,000.00	-	25,000.00
900.00	-	-	900.00
-	-	1,650.00	1,650.00
-	40.73	-	40.73
-	77.12	-	77.12
-	250.00	-	250.00
-	130.00	-	130.00
-	550.00	-	550.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Children of the Corn* (08-019)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Appiano Activities	Matthew T. Stratton Special FX/Rentals	09/11/08
Appiano Activities	McIntosh Communications Inc.	10/06/08
Appiano Activities	Merje Veski/Misc. Reimbursables	09/09/08
Appiano Activities	Merje Veski/Misc. Reimbursables	09/27/09
Appiano Activities	Merje Veski/Misc. Reimbursables	09/09/08
Appiano Activities	Moline Dispatch Publishing Company	08/27/08
Appiano Activities	Northwestern Memorial Physicians Group	09/25/08
Appiano Activities	Northwestern Memorial Physicians Group	10/02/08
Appiano Activities	Paul Ruddy/Casting	08/22/08
Appiano Activities	Paul Ruddy/Casting	08/28/08
Appiano Activities	Paul Ruddy/Casting	08/28/08
Appiano Activities	Paul Ruddy/Casting	09/09/08
Appiano Activities	Phil Merker	
Appiano Activities	Planet Productions Corp	08/22/08
Appiano Activities	Planet Productions Corp	08/22/08
Appiano Activities	Planet Productions Corp	08/26/08
Appiano Activities	Planet Productions Corp	08/26/08
Appiano Activities	Planet Productions Corp	08/26/08
Appiano Activities	Planet Productions Corp	08/26/08
Appiano Activities	Planet Productions Corp	08/29/08
Appiano Activities	Planet Productions Corp	09/23/08
Appiano Activities	Planet Productions Corp	10/06/08
Appiano Activities	Rental Service Corp	09/17/08
Appiano Activities	Ron Durham	PC
Appiano Activities	Rosalie Doss	09/17/08
Appiano Activities	Rosemary A. Orlando	09/27/09
Appiano Activities	Short, Stanton Attorney Escrow Account/Legal Fees	09/16/08
Appiano Activities	Sign Supply USA	09/09/08
Appiano Activities	Sonicpool	09/12/08
Appiano Activities	Sonicpool	09/17/08

No Proof of Payment	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	2,050.00	-	2,050.00
-	8,016.32	-	8,016.32
-	2,982.12	-	2,982.12
-	538.46	-	538.46
-	-	24.99	24.99
-	527.04	-	527.04
-	50.00	-	50.00
-	120.00	-	120.00
-	2,000.00	-	2,000.00
-	2,500.00	-	2,500.00
-	2,500.00	-	2,500.00
-	1,500.00	-	1,500.00
-	87.59	-	87.59
-	145,000.00	-	145,000.00
-	100,000.00	-	100,000.00
-	57,921.00	-	57,921.00
-	21,000.00	-	21,000.00
-	80,458.00	-	80,458.00
-	50,000.00	-	50,000.00
-	126,650.00	-	126,650.00
-	11,046.43	-	11,046.43
-	14,545.05	-	14,545.05
-	1,221.94	-	1,221.94
-	-	5.00	5.00
-	200.00	-	200.00
-	69.99	-	69.99
90,000.00	-	-	90,000.00
-	228.86	-	228.86
-	1,150.00	-	1,150.00
-	1,100.00	-	1,100.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Children of the Corn* (08-019)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Appiano Activities	Sonicpool	10/02/08
Appiano Activities	Stephanie Hein	PC
Appiano Activities	Stephanie Hein/Misc. Reimbursables	09/27/09
Appiano Activities	Sunbelt Rentals	09/26/08
Appiano Activities	Tai Audio	09/09/08
Appiano Activities	Team Services	09/16/08
Appiano Activities	Team Services	09/17/08
Appiano Activities	Team Services	09/19/08
Appiano Activities	Team Services	09/24/08
Appiano Activities	Team Services	10/06/08
Appiano Activities	Team Services	10/06/08
Appiano Activities	The Hand Prop Room	10/02/08
Appiano Activities	Tim Ryan	09/05/08
Appiano Activities	Trew Audio	09/30/08
Appiano Activities	Ultimate Effects	09/17/09
Appiano Activities	United Air/Airfare	09/09/08
Appiano Activities	Universal Travel/Airfare	09/11/08
Appiano Activities	Unknown	08/28/08
Appiano Activities	Unknown	10/06/08
Appiano Activities	Various	PC
Appiano Activities	Payroll	various
Appiano Activities	Warner Bros. Studios	09/05/08
Appiano Activities	Warner Bros. Studios	09/09/08
Appiano Activities	Warner Bros. Studios	09/26/08
Appiano Activities	Wells Fargo/Bank Fee	10/02/08
Appiano Activities	Western Automotive Sheet Metal	08/28/08
P13 Iowa, LLC	P13 Iowa, LLC	09/08/08
P13 Iowa, LLC	P13 Iowa, LLC	09/08/08

No Proof of Payment	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	1,100.00	-	1,100.00
-	929.45	-	929.45
-	3.50	-	3.50
-	697.53	-	697.53
-	960.00	-	960.00
-	35,764.12	-	35,764.12
-	41,751.71	-	41,751.71
-	26,774.19	-	26,774.19
-	63,467.18	-	63,467.18
-	5,710.28	-	5,710.28
-	43,011.84	-	43,011.84
-	119.60	-	119.60
-	94.00	-	94.00
-	432.00	-	432.00
-	16,617.76	-	16,617.76
-	503.00	-	503.00
-	612.00	-	612.00
37,992.50	-	-	37,992.50
-	-	2,554.29	2,554.29
-	1,579.30	-	1,579.30
-	-	386,404.06	386,404.06
-	50.00	-	50.00
-	147.00	-	147.00
-	5,648.00	-	5,648.00
48.42	-	-	48.42
-	335.00	-	335.00
-	21,762.00	-	21,762.00
-	21,762.00	-	21,762.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Children of the Corn* (08-019)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
P13 Iowa, LLC	P13 Iowa, LLC	09/09/08
P13 Iowa, LLC	P13 Iowa, LLC	09/30/08
P13 Iowa, LLC	P13 Iowa, LLC	10/03/08
Alden, John	Alden, John	09/30/08
Alden, John	Alden, John	10/06/08
Allied Waste	Allied Waste	09/15/08
Allied Waste	Allied Waste	09/10/08
Altorfer	Altorfer	10/03/08
Ami Werges	Various	09/18/08
Ami Werges	Various	09/08/08
Ami Werges	Various	09/02/08
Andrew Hussey	Various/Online Purchase	09/23/08
Andrew Hussey	Various	10/04/08
Andrew Hussey	Various	10/04/08
Andrew Hussey	Various	09/23/08
Becker, Kary	Becker, Kary	09/24/08
Becker, Sandy	Becker, Sandy	09/30/08
Becker, Sandy	Becker, Sandy	09/17/08
Becker, Sandy	Becker, Sandy	09/25/08
Ben Easter	Various/ATM withdrawals	10/02/08
Ben Easter	Ben Easter	09/09/08
Ben Easter	Ben Easter	08/18/08
Big Dave's	Big Dave's	09/23/08
Budget	Budget	10/02/08
Budget	Budget	10/02/08
Budget	Budget	10/02/08
Budget	Budget	10/02/08
Budget	Budget	10/02/08
Budget	Budget	10/06/08
City of Lost Nation	City of Lost Nation	10/06/08
Coker, Cheryl	Coker, Cheryl	09/29/08

No Proof of Payment	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	5,828.40	-	5,828.40
-	647.60	-	647.60
-	608.30	-	608.30
-	-	150.00	150.00
-	-	2,000.00	2,000.00
-	-	256.26	256.26
-	-	256.26	256.26
-	-	3,960.70	3,960.70
-	-	3,000.00	3,000.00
-	-	2,500.00	2,500.00
-	-	3,025.00	3,025.00
-	157.25	-	157.25
-	-	650.00	650.00
-	-	100.00	100.00
-	-	100.00	100.00
-	-	350.00	350.00
-	-	40.50	40.50
-	-	81.00	81.00
-	-	45.00	45.00
240.00	-	-	240.00
-	-	90.00	90.00
-	-	10.00	10.00
-	-	830.60	830.60
-	428.07	-	428.07
-	757.89	-	757.89
-	916.89	-	916.89
-	1,145.85	-	1,145.85
-	916.89	-	916.89
-	1,677.47	-	1,677.47
-	-	1,500.00	1,500.00
-	-	72.00	72.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Children of the Corn* (08-019)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Conard, Dale	Conard, Dale/Security services	09/18/08
Donald P. Borchers	Donald P. Borchers	08/12/08
Donald P. Borchers	Donald P. Borchers	10/06/08
Donald P. Borchers	Donald P. Borchers	08/12/08
Donald P. Borchers	Donald P. Borchers	08/12/08
Donald P. Borchers	Donald P. Borchers	08/22/08
Donald P. Borchers	Donald P. Borchers	08/25/08
Donald P. Borchers	Donald P. Borchers	08/29/08
Donald P. Borchers	Donald P. Borchers	09/05/08
Donald P. Borchers	Donald P. Borchers	09/13/08
Donald P. Borchers	Donald P. Borchers	09/19/08
Donald P. Borchers	Donald P. Borchers	09/26/08
Donald P. Borchers	Donald P. Borchers	10/02/08
Donald P. Borchers	Donald P. Borchers	10/06/08
Donald Sutton	Donald Sutton	08/12/08
Elena Chernock	Wells Fargo/withdrawal	09/17/08
Fairbanks, Terry	Fairbanks, Terry	09/24/08
Fairway Ford, Inc	Fairway Ford, Inc	08/20/08
FedEx	Fed Ex/Shipping	08/20/08
Gifts, Greetings, & Gourmet	Gifts, Greetings, & Gourmet/Gift Baskets	08/26/08
Gifts, Greetings, & Gourmet	Gifts, Greetings, & Gourmet/Gift Baskets	09/03/08
Gilroy, Robert	Gilroy, Robert	09/24/08
Gracie Klein	Various/Rentals & Misc. Reimbursables	10/06/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	08/08/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	08/14/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	08/14/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	08/14/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	08/14/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	08/14/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	08/15/08
Gulliver's Travel Co	Gullivers Travel Co/Airline Fees	08/15/08

No Proof of Payment	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
645.00	-	-	645.00
-	250.00	-	250.00
-	1,005.08	-	1,005.08
501.41	-	-	501.41
700.00	-	-	700.00
1,200.00	-	-	1,200.00
308.06	-	-	308.06
700.00	-	-	700.00
700.00	-	-	700.00
700.00	-	-	700.00
700.00	-	-	700.00
700.00	-	-	700.00
700.00	-	-	700.00
400.00	-	-	400.00
5.00	-	-	5.00
-	-	1,500.00	1,500.00
-	-	101.00	101.00
-	-	170.00	170.00
-	46.73	-	46.73
53.06	-	-	53.06
198.31	-	-	198.31
197.42	-	-	197.42
-	-	100.00	100.00
-	2,320.17	-	2,320.17
-	767.00	-	767.00
-	706.01	-	706.01
-	702.00	-	702.00
-	1,491.00	-	1,491.00
-	362.00	-	362.00
-	518.00	-	518.00
-	181.00	-	181.00
-	75.00	-	75.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Children of the Corn* (08-019)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	08/18/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	08/19/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	08/20/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	08/21/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	08/23/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	08/26/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	08/29/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	08/29/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/02/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/02/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/02/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/02/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/02/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/03/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/04/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/05/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/05/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/05/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/05/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/05/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/06/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/09/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/11/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/11/08
Gulliver's Travel Co	Gullivers Travel Co/Airline Fees	09/11/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/11/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/12/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/17/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/19/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/21/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/22/08

No Proof of Payment	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	445.00	-	445.00
-	370.00	-	370.00
-	3,216.98	-	3,216.98
-	2,002.00	-	2,002.00
-	634.00	-	634.00
-	800.00	-	800.00
-	527.00	-	527.00
-	225.00	-	225.00
-	362.00	-	362.00
-	1,990.00	-	1,990.00
-	1,189.00	-	1,189.00
-	637.00	-	637.00
-	372.00	-	372.00
-	423.50	-	423.50
-	362.00	-	362.00
-	1,046.00	-	1,046.00
-	523.00	-	523.00
-	1,090.00	-	1,090.00
-	1,090.00	-	1,090.00
-	393.00	-	393.00
-	1,160.00	-	1,160.00
-	728.00	-	728.00
-	988.00	-	988.00
-	366.50	-	366.50
-	26.00	-	26.00
-	751.99	-	751.99
-	567.00	-	567.00
-	3,089.01	-	3,089.01
-	928.00	-	928.00
-	636.99	-	636.99
-	702.00	-	702.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Children of the Corn* (08-019)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/22/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/25/08
Gulliver's Travel Co	Gullivers Travel Co/Airline Fees	09/25/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/25/08
Gulliver's Travel Co	Gullivers Travel Co/Airline Fees	09/26/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/27/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/27/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/27/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/27/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/28/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	09/30/08
Gulliver's Travel Co	Gulliver's Travel Co/Airfare	08/25/09
Hy-Vee	Hy-Vee	09/22/08
Hy-Vee	Hy-Vee	09/22/08
Hy-Vee	Hy-Vee	09/19/08
Hy-Vee	Hy-Vee	09/18/08
Hy-Vee	Hy-Vee	09/17/08
Hy-Vee	Hy-Vee	09/16/08
Intuit	Intuit/Online Purchase	07/17/08
Jamie Rose	Various	PC
Jesse Anderson	Various	PC
Jill Suthers	Jill Suthers	09/25/08
Joan VonSprecken	Joan VonSprecken	09/25/08
John Suthers	John Suthers	09/24/08
Laurie Inghram	Laurie Inghram	09/23/08
Laurie Inghram	Laurie Inghram	09/11/08
Legionnare Ballroom	Legionnare Ballroom	09/03/08
Merje Veski	Various	09/19/08
Mother Hubbard's	Mother Hubbard's	10/02/08
Mother Hubbard's	Mother Hubbard's	10/03/08
Natascha Hopkins	Easy Ride Transportation	09/30/08

No Proof of Payment	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	244.00	-	244.00
-	545.00	-	545.00
-	43.00	-	43.00
-	150.00	-	150.00
-	52.00	-	52.00
-	385.99	-	385.99
-	75.00	-	75.00
-	545.00	-	545.00
-	200.00	-	200.00
-	634.00	-	634.00
-	385.99	-	385.99
-	434.00	-	434.00
-	-	124.12	124.12
-	-	1,554.16	1,554.16
-	-	2,405.90	2,405.90
-	-	1,077.02	1,077.02
-	-	2,405.90	2,405.90
-	-	897.52	897.52
-	224.08	-	224.08
-	198.51	-	198.51
-	8,021.54	-	8,021.54
-	-	200.00	200.00
-	-	90.00	90.00
-	-	437.50	437.50
-	-	1,000.00	1,000.00
-	-	2,000.00	2,000.00
-	-	400.00	400.00
-	187.62	-	187.62
-	-	31.37	31.37
-	-	48.41	48.41
-	70.00	-	70.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Children of the Corn* (08-019)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Nicole Pilcher	Various	08/14/08
Nicole Pilcher	Unknown	08/02/08
On the Go Transportation	On the Go Transportation	09/16/08
Professionals Collision Experts	Professionals Collision Experts	09/03/08
Rental Service	Rental Service	10/06/08
Rick Pilcher	Rick Pilcher/Iowa Production Coordination Services	09/29/08
Rick Pilcher	Rick Pilcher/Iowa Production Coordination Services	09/16/08
Rick Pilcher	Rick Pilcher/Iowa Production Coordination Services	09/11/08
Rick Pilcher	Rick Pilcher/Iowa Production Coordination Services	08/15/08
River City Ford	River City Ford	09/30/08
Robert Mundt	Robert Mundt	09/27/08
Tai Audio	Tai Audio	10/02/08
Top Hat Transportation	Top Hat Transportation	10/01/08
Top Hat Transportation	Top Hat Transportation	09/30/08
Top Hat Transportation	Top Hat Transportation	09/24/08
Two River & Associates, Inc.	Two River & Associates, Inc.	08/15/08
Tyson VenHorst	Tyson VenHorst	09/16/08
Tyson VenHorst	Tyson VenHorst	09/16/08
Unknown	Act II Transportation	08/27/08
Unknown	History for Hire	08/15/08
WalMart	WalMart	09/09/08
Wyatt, Natasha	Wyatt, Natasha	09/23/08
Total		

PC = Petty cash

Note: With the exception of fees paid to Iowa travel agencies, all airfare costs were considered unqualified.

For most costs, adequate documentation was not provided. Costs which were properly supported did not comply with requirements established by the administrative rules.

Note: The following types of unqualified expenditures were not identified for this film:

- Payments to the producer and lead actors
- Deferred payments
- In-kind expenditures
- Not directly related to production

No Proof of Payment	Out-of-State Vendor/Resident	Paid but Unsupported Expenditures	Total
-	-	62.10	62.10
-	-	2,500.00	2,500.00
-	-	20.00	20.00
-	-	2,900.00	2,900.00
-	-	1,164.39	1,164.39
-	-	1,680.00	1,680.00
-	-	720.00	720.00
-	-	1,575.00	1,575.00
-	-	1,000.00	1,000.00
-	-	3,000.00	3,000.00
-	-	1,594.84	1,594.84
-	-	513.00	513.00
-	-	27.00	27.00
-	-	25.00	25.00
-	-	25.00	25.00
-	-	250.00	250.00
-	-	750.00	750.00
-	-	750.00	750.00
-	58.20	-	58.20
-	196.00	-	196.00
-	-	334.01	334.01
-	-	500.00	500.00
\$ 162,684.10	1,345,516.46	445,718.80	1,953,919.36

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Five Step Credit Program* (09-010)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Eric Freese	Art Dept	NA
juniper	Bank Fees	04/25/09
Witter Consulting	Broker Fee	04/30/09
Mark Britton	Camera Rent	NA
Phil Manke	Camera Rent	NA
High Depth Products	Camera Rent	03/20/09
Copy Works	Copy	04/26/09
American Furn	Edit Equipment	03/14/09
American Furn	Edit Equipment	03/14/09
Best Buy	Edit Equipment	03/06/09
Best Buy	Edit Equipment	04/13/09
Best Buy	Edit Equipment	02/27/09
Best Buy	Edit Equipment	03/01/09
Best Buy	Edit Equipment	04/25/09
Dollar General	Edit Equipment	04/07/09
tim anderson	Edit Equipment	03/15/09
Walmart	Edit Equipment	04/11/09
Walmart	Edit Equipment	04/08/09
Bruce Heppner-Elgin	Editing & Graphics	NA
Phil Manke	Editing & Graphics	NA
Phil Manke	Electrical & Lighting	NA
Best Buy	File Cards	03/21/09
Walmart	File Cards	03/26/09
Walmart	File Cards	04/11/09
Walmart	File Cards	03/01/09
Walmart	File Cards	03/29/09
Walmart	File Cards	03/22/09
Walmart	File Cards	02/24/09
Phil Manke	Film Production	NA
Felix & Oscars	Gas	03/12/09

Deferred Payments	Not Directly Related to Production	Paid but Unsupported Expenditures	Total
\$ 2,256.00	-	-	2,256.00
-	-	354.00	354.00
-	2,700.00	-	2,700.00
500.00	-	-	500.00
500.00	-	-	500.00
-	-	100.00	100.00
-	-	1.80	1.80
-	-	192.60	192.60
-	-	1,112.71	1,112.71
-	-	299.58	299.58
-	-	460.09	460.09
-	-	635.99	635.99
-	-	641.99	641.99
-	-	674.09	674.09
-	-	41.10	41.10
-	-	3,500.00	3,500.00
-	-	124.98	124.98
-	-	167.83	167.83
1,250.00	-	-	1,250.00
11,750.00	-	-	11,750.00
789.00	-	-	789.00
-	-	85.59	85.59
-	-	16.01	16.01
-	-	18.02	18.02
-	-	61.90	61.90
-	-	72.41	72.41
-	-	90.96	90.96
-	-	249.01	249.01
17,500.00	-	-	17,500.00
-	-	25.76	25.76

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Five Step Credit Program* (09-010)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Arbie's	General	03/13/09
Big 10	General	03/23/09
Casey's	General	04/16/09
Casey's	General	03/27/09
Collins Road	General	04/03/09
Dollar General	General	04/25/09
Dollar General	General	04/23/09
Dollar General	General	04/18/09
Dollar General	General	04/16/09
Dollar General	General	04/25/09
Dollar General	General	04/17/09
Fortune Garden	General	04/04/09
Fortune Garden	General	03/14/09
Happy Joe's	General	04/25/09
Happy Joe's	General	04/20/09
Newport BP	General	04/16/09
North Scott Foods	General	04/04/09
QC Times	General	03/05/09
Red Lobster	General	03/27/09
Red Lobster	General	04/18/09
Slagles	General	04/17/09
Slagles	General	04/08/09
TGI Friday's	General	03/24/09
Walmart	General	04/21/09
Walmart	General	04/19/09
Wendy's	General	04/18/09
Wise Guy's	General	04/08/09
Boss Office	Legal	03/19/09
Boss Office Supply	Legal	04/02/09

Deferred Payments	Not Directly Related to Production	Paid but Unsupported Expenditures	Total
-	-	6.94	6.94
-	-	47.82	47.82
-	-	21.64	21.64
-	-	40.64	40.64
-	-	35.00	35.00
-	-	1.07	1.07
-	-	4.85	4.85
-	-	20.24	20.24
-	-	22.35	22.35
-	-	33.07	33.07
-	-	49.25	49.25
-	-	15.00	15.00
-	-	22.25	22.25
-	-	25.39	25.39
-	-	41.29	41.29
-	-	34.59	34.59
-	-	37.23	37.23
-	-	55.25	55.25
-	-	59.48	59.48
-	-	76.76	76.76
-	-	14.89	14.89
-	-	26.42	26.42
-	-	27.84	27.84
-	-	33.95	33.95
-	-	92.13	92.13
-	-	5.74	5.74
-	-	20.00	20.00
-	-	82.34	82.34
-	-	32.07	32.07

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Five Step Credit Program* (09-010)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Dollar General	Legal	04/29/09
Staples	Legal	04/29/09
Staples	Legal	04/06/09
Boss Office	Legal	03/19/09
Office Max	Legal	03/28/09
Staples	Legal, Accounting	03/09/09
Shelley Colson	Legal, Accounting	NA
Mava Ent.	Locations	04/03/09
Amoco	Locations	04/11/09
Casey's	Locations	04/10/09
Casey's	Locations	04/10/09
Dollar General	Locations	03/20/09
Dollar General	Locations	03/15/09
Enterprise Rent A Car	Locations	04/15/09-04/21/09
Farm & Fleet	Locations	04/27/09
Granite City	Locations	03/18/09
Happy Joe's	Locations	04/20/09
Happy Joe's	Locations	04/11/09
Happy Joe's	Locations	04/11/09
HyVee Gas	Locations	04/24/09
Jersey Heights BP	Locations	04/06/09
Jersey Heights BP	Locations	04/06/09
Kelly's	Locations	03/30/09
Kelly's	Locations	04/06/09
Kelly's	Locations	03/24/09
Miss Market	Locations	04/14/09
North Scott Foods	Locations	03/13/09
Olive Garden	Locations	03/26/09

Deferred Payments	Not Directly Related to Production	Paid but Unsupported Expenditures	Total
-	-	7.76	7.76
-	-	35.30	35.30
-	-	368.62	368.62
-	-	35.29	35.29
-	-	22.97	22.97
-	-	3.73	3.73
650.00	-	-	650.00
-	-	34.06	34.06
-	-	15.01	15.01
-	-	13.28	13.28
-	-	22.50	22.50
-	-	4.73	4.73
-	-	11.24	11.24
-	-	240.99	240.99
-	-	157.71	157.71
-	-	228.60	228.60
-	-	49.29	49.29
-	-	61.44	61.44
-	-	71.44	71.44
-	-	20.07	20.07
-	-	15.66	15.66
-	-	33.05	33.05
-	-	13.50	13.50
-	-	20.87	20.87
-	-	34.05	34.05
-	-	15.00	15.00
-	-	17.79	17.79
-	-	56.75	56.75

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Five Step Credit Program* (09-010)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Slagles	Locations	03/16/09
TGI Fridays	Locations	04/21/09
True Value	Locations	04/22/09
AutoZone	Misc	04/22/09
Casey's	Misc	04/18/09
Casey's	Misc	04/22/09
Dollar General	Misc	04/04/09
Fast Break	Misc	04/13/09
Fast Break	Misc	04/13/09
Hy-Vee	Misc	03/20/09
Kelly's	Misc	04/17/09
Mava Ent	Misc	04/17/09
North Scott Foods	Misc	04/15/09
Slagles	Misc	03/16/09
True Value	Misc	04/22/09
Tom Anderson	Production Office Rental	NA
Shelley Colson	Production Staff	NA
Jon Bonar	Research	NA
Tom Anderson	Research	NA
Steve Law	Set Construction	NA
Al & Gerry's	Set Ops	03/28/09
Aldie	Set Ops	03/01/09
Amoco	Set Ops	03/10/09
Amoco	Set Ops	03/28/09
Arby's	Set Ops	03/02/09
Arby's	Set Ops	03/03/09
Barnes Foodland	Set Ops	03/08/09
Bennigan's	Set Ops	02/27/09
Burger King	Set Ops	03/18/09
Burger King	Set Ops	04/03/09

Deferred Payments	Not Directly Related to Production	Paid but Unsupported Expenditures	Total
-	-	7.14	7.14
-	-	29.36	29.36
-	-	16.44	16.44
-	-	38.51	38.51
-	-	4.37	4.37
-	-	10.46	10.46
-	-	11.30	11.30
-	-	3.22	3.22
-	-	5.70	5.70
-	-	1.00	1.00
-	-	18.73	18.73
-	-	1.25	1.25
-	-	1.25	1.25
-	-	24.77	24.77
-	-	11.42	11.42
1,500.00	-	-	1,500.00
3,497.00	-	-	3,497.00
5,000.00	-	-	5,000.00
25,000.00	-	-	25,000.00
550.00	-	-	550.00
-	-	26.50	26.50
-	-	106.28	106.28
-	-	3.52	3.52
-	-	5.58	5.58
-	-	5.02	5.02
-	-	6.94	6.94
-	-	20.59	20.59
-	-	30.68	30.68
-	-	5.77	5.77
-	-	5.77	5.77

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Five Step Credit Program* (09-010)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Casey's	Set Ops	04/20/09
Casey's	Set Ops	04/01/09
Casey's	Set Ops	04/24/09
Casey's	Set Ops	04/22/09
Casey's	Set Ops	04/22/09
Casey's	Set Ops	03/11/09
Casey's	Set Ops	03/31/09
Casey's	Set Ops	03/14/09
Casey's	Set Ops	04/10/09
Casey's	Set Ops	03/08/09
Chilis	Set Ops	04/01/09
Chipotle	Set Ops	03/24/09
Culver's	Set Ops	03/19/09
Culver's	Set Ops	04/01/09
Dollar General	Set Ops	03/22/09
Dollar General	Set Ops	03/06/09
Dollar General	Set Ops	03/07/09
Famous Dave's	Set Ops	03/21/09
Famous Dave's	Set Ops	04/01/09
Gator's Grill	Set Ops	04/16/09
Granite City	Set Ops	04/05/09
Happy Joe's	Set Ops	03/21/09
Happy Joe's	Set Ops	03/17/09
Happy Joe's	Set Ops	03/11/09
Hardee's	Set Ops	03/07/09
Hardee's	Set Ops	03/14/09
Hardee's	Set Ops	04/15/09
Hardee's	Set Ops	04/15/09

Deferred Payments	Not Directly Related to Production	Paid but Unsupported Expenditures	Total
-	-	1.64	1.64
-	-	1.81	1.81
-	-	1.92	1.92
-	-	2.33	2.33
-	-	3.56	3.56
-	-	3.72	3.72
-	-	5.32	5.32
-	-	12.89	12.89
-	-	14.23	14.23
-	-	20.10	20.10
-	-	8.87	8.87
-	-	10.28	10.28
-	-	7.90	7.90
-	-	8.75	8.75
-	-	8.03	8.03
-	-	9.00	9.00
-	-	9.92	9.92
-	-	35.58	35.58
-	-	123.27	123.27
-	-	9.16	9.16
-	-	23.03	23.03
-	-	18.17	18.17
-	-	20.84	20.84
-	-	33.30	33.30
-	-	2.24	2.24
-	-	3.61	3.61
-	-	4.90	4.90
-	-	6.94	6.94

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Five Step Credit Program* (09-010)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Hardee's	Set Ops	04/23/09
Hardee's	Set Ops	03/29/09
Hardee's	Set Ops	03/11/09
Holiday 209	Set Ops	03/12/09
Hooters	Set Ops	03/07/09
Hy-Vee	Set Ops	03/20/09
Hy-Vee	Set Ops	03/20/09
Hy-Vee	Set Ops	03/10/09
Kelly's	Set Ops	03/31/09
Kelly's	Set Ops	04/13/09
Kelly's	Set Ops	04/27/09
Lips to Go	Set Ops	03/20/09
Mava Ent	Set Ops	03/30/09
Mava Ent	Set Ops	04/02/09
Mava Ent	Set Ops	04/13/09
McDonalds	Set Ops	04/03/09
McDonalds	Set Ops	03/12/09
Montana Mikes	Set Ops	03/13/09
North Scott Food	Set Ops	03/17/09
North Scott Food	Set Ops	03/15/09
North Scott Foods	Set Ops	04/15/09
North Scott Foods	Set Ops	03/19/09
North Scott Foods	Set Ops	03/26/09
North Scott Foods	Set Ops	04/26/09
North Scott Foods	Set Ops	04/28/09
Olive Garden	Set Ops	04/10/09
Our Store	Set Ops	04/05/09

Deferred Payments	Not Directly Related to Production	Paid but Unsupported Expenditures	Total
-	-	6.94	6.94
-	-	7.00	7.00
-	-	7.48	7.48
-	-	35.47	35.47
-	-	62.87	62.87
-	-	1.26	1.26
-	-	6.41	6.41
-	-	8.00	8.00
-	-	11.50	11.50
-	-	12.93	12.93
-	-	15.00	15.00
-	-	10.43	10.43
-	-	2.50	2.50
-	-	3.77	3.77
-	-	3.77	3.77
-	-	2.34	2.34
-	-	6.40	6.40
-	-	40.96	40.96
-	-	9.35	9.35
-	-	12.42	12.42
-	-	20.15	20.15
-	-	25.28	25.28
-	-	25.56	25.56
-	-	33.04	33.04
-	-	33.58	33.58
-	-	45.90	45.90
-	-	20.00	20.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Five Step Credit Program* (09-010)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Perkins Restaurant	Set Ops	02/26/09
Red Lobster	Set Ops	03/21/09
Red Lobster	Set Ops	03/05/09
Sinclair	Set Ops	03/06/09
Starbucks	Set Ops	04/24/09
Starbucks	Set Ops	04/24/09
Starbucks	Set Ops	03/29/09
Starbucks	Set Ops	04/25/09
Starbucks	Set Ops	03/10/09
Starbucks	Set Ops	03/20/09
Subway	Set Ops	03/17/09
Taco John's	Set Ops	03/12/09
Terrible's	Set Ops	04/17/09
Terrible's Lakeside	Set Ops	04/15/09
Texas Roadhouse	Set Ops	03/01/09
TGI Friday's	Set Ops	03/25/09
The Wig & Pen	Set Ops	03/14/09
Village Inn	Set Ops	04/29/09
Walgreens	Set Ops	03/14/09
Walmart	Set Ops	03/07/09
Wendy's	Set Ops	03/20/09
Wendy's	Set Ops	03/09/09
Wendy's	Set Ops	03/04/09
Whitey's	Set Ops	03/25/09
Wise Guys	Set Ops	04/08/09
Happy Joe's	Set Ops	03/24/09
Rachel Howell	Sound Post Production	NA
Phil Manke	Sound Production	NA

Deferred Payments	Not Directly Related to Production	Paid but Unsupported Expenditures	Total
-	-	13.64	13.64
-	-	36.76	36.76
-	-	160.92	160.92
-	-	29.13	29.13
-	-	2.09	2.09
-	-	4.07	4.07
-	-	6.15	6.15
-	-	6.15	6.15
-	-	7.54	7.54
-	-	7.54	7.54
-	-	7.38	7.38
-	-	6.40	6.40
-	-	13.74	13.74
-	-	11.50	11.50
-	-	104.18	104.18
-	-	11.75	11.75
-	-	37.74	37.74
-	-	22.00	22.00
-	-	7.50	7.50
-	-	34.89	34.89
-	-	1.81	1.81
-	-	2.44	2.44
-	-	5.34	5.34
-	-	4.17	4.17
-	-	18.13	18.13
-	-	22.95	22.95
1,450.00	-	-	1,450.00
2,650.00	-	-	2,650.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Five Step Credit Program* (09-010)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Shelley Colson	Special Effects	NA
Aldie	Supplies	04/18/09
Hy-Vee	Supplies	04/22/09
North Scott Foods	Supplies	04/24/09
Slagles	Supplies	03/28/09
Central Scott Telephone	Telephone	04/01/09-04/30/09
Central Scott Telephone	Telephone	03/01/09-03/31/09
Eldridge Post Office	Telephone	04/02/09
Eldridge Post Office	Telephone	04/02/09
FedEx Kinko's	Telephone	04/16/09
FedEx Kinko's	Telephone	04/25/09
Misc-Office	Telephone	04/04/09
Misc-Office	Telephone	04/06/09
Ring Central	Telephone	04/01/09
Ring Central	Telephone	03/03/09
US Cellular	Telephone	03/01/09-03/23/09
US Cellular	Telephone	02/24/09
US Cellular	Telephone	03/24/09-04/23/09
Verizon Wireless	Telephone	03/19/09-04/18/09
Shelley Colson	Titles, Opticals, Inserts	NA
Amoco	Transportation	04/24/09
Amoco	Transportation	03/25/09
Amoco	Transportation	03/28/09
Amoco	Transportation	03/17/09
Amoco	Transportation	03/20/09
Amoco	Transportation	04/07/09
Amoco	Transportation	03/11/09
Amoco	Transportation	04/10/09
BP	Transportation	03/20/09

Deferred Payments	Not Directly Related to Production	Paid but Unsupported Expenditures	Total
849.00	-	-	849.00
-	-	20.00	20.00
-	-	37.53	37.53
-	-	14.90	14.90
-	-	35.38	35.38
-	-	19.23	19.23
-	-	42.99	42.99
-	-	25.10	25.10
-	-	84.00	84.00
-	-	10.05	10.05
-	-	12.25	12.25
-	-	2.08	2.08
-	-	7.32	7.32
	-	188.93	188.93
	-	188.93	188.93
-	-	159.75	159.75
-	-	164.63	164.63
-	-	335.03	335.03
-	-	149.98	149.98
1,896.00	-	-	1,896.00
-	-	3.25	3.25
-	-	4.46	4.46
-	-	12.11	12.11
-	-	12.22	12.22
-	-	15.06	15.06
-	-	17.85	17.85
-	-	29.14	29.14
-	-	29.23	29.23
-	-	11.29	11.29

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Five Step Credit Program* (09-010)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Casey's	Transportation	04/28/09
Casey's	Transportation	03/31/09
Casey's	Transportation	04/25/09
Casey's	Transportation	03/14/09
Casey's	Transportation	03/23/09
Casey's	Transportation	03/20/09
Casey's	Transportation	04/13/09
Casey's	Transportation	03/12/09
Casey's	Transportation	04/22/09
Casey's	Transportation	03/02/09
Casey's	Transportation	03/14/09
Casey's	Transportation	04/18/09
Casey's	Transportation	03/06/09
Casey's	Transportation	04/28/09
Enterprise	Transportation	03/06/09
Faithful Pilot	Transportation	03/24/09
Fast Break	Transportation	04/13/09
Firecrackers	Transportation	04/12/09
Happy Joe's	Transportation	03/19/09
Hardee's	Transportation	03/18/09
Hy Vee Gas	Transportation	04/24/09
JDM Oil	Transportation	04/24/09
Jersey Heights BP	Transportation	04/29/09
Jersey Heights BP	Transportation	03/23/09
Kum & Go	Transportation	04/26/09
Misc	Transportation	04/17/09
Mother Hubbard	Transportation	03/06/09
Our Store	Transportation	04/17/09

Deferred Payments	Not Directly Related to Production	Paid but Unsupported Expenditures	Total
-	-	1.64	1.64
-	-	10.04	10.04
-	-	10.12	10.12
-	-	15.30	15.30
-	-	15.59	15.59
-	-	20.01	20.01
-	-	24.67	24.67
-	-	26.29	26.29
-	-	30.00	30.00
-	-	30.01	30.01
-	-	33.02	33.02
-	-	38.83	38.83
-	-	44.33	44.33
-	-	56.47	56.47
-	-	498.83	498.83
-	-	7.00	7.00
-	-	30.25	30.25
-	-	26.60	26.60
-	-	39.65	39.65
-	-	5.75	5.75
-	-	26.73	26.73
-	-	3.35	3.35
-	-	10.83	10.83
-	-	29.99	29.99
-	-	10.00	10.00
-	-	25.76	25.76
-	-	35.62	35.62
-	-	6.05	6.05

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Five Step Credit* (09-010)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
QC Mart	Transportation	04/21/09
QC Mart	Transportation	04/21/09
QC Mart	Transportation	04/21/09
Terrible's Lakeside	Transportation	04/15/09
Terrible's Lakeside	Transportation	04/17/09
Valvoline	Transportation	03/12/09
Smart House Films	Unit Publicity & Aud. Test	04/25/09
Hy-Vee	Vehicles	03/03/09
Paul's	Vehicles	04/25/09
Benford Antiques	Wardrobe	03/22/09
Claire's	Wardrobe	03/28/09
Del's	Wardrobe	04/16/09
Kohl's	Wardrobe	04/25/09
Paul's	Wardrobe	03/22/09
Salvation Army	Wardrobe	03/07/09
Salvation Army	Wardrobe	03/28/09
Su Casa	Wardrobe	03/27/09
Su Casa	Wardrobe	04/10/09
Theisens	Wardrobe	03/08/09
Tom & Audrey's	Wardrobe	03/22/09
Walmart	Wardrobe	03/14/09
Walmart	Wardrobe	04/12/09
Younkers	Wardrobe	04/19/09
Tim Anderson	Writing	NA
Jennifer Hanci		03/02/09
Total		

N/A - Not available

Note: The following types of unqualified expenditures were not identified for this film:

- Payments to the producer and lead actors
- In-kind expenditures
- No proof of payment
- Out-of-state vendor/resident

Deferred Payments	Not Directly Related to Production	Paid but Unsupported Expenditures	Total
-	-	5.59	5.59
-	-	7.91	7.91
-	-	10.08	10.08
-	-	16.64	16.64
-	-	26.79	26.79
-	-	35.30	35.30
-	-	12,000.00	12,000.00
-	-	29.11	29.11
-	-	11.20	11.20
-	-	6.42	6.42
-	-	7.76	7.76
-	-	12.45	12.45
-	-	21.12	21.12
-	-	23.38	23.38
-	-	6.50	6.50
-	-	6.50	6.50
-	-	26.10	26.10
-	-	31.20	31.20
-	-	16.55	16.55
-	-	9.09	9.09
-	-	42.76	42.76
-	-	139.73	139.73
-	-	21.37	21.37
10,000.00	-	-	10,000.00
-	-	100.00	100.00
\$ 87,587.00	2,700.00	28,750.68	119,037.68

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *16 to Life* (07-002)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Joel Salidek	Payment to Producer	09/25/07
Joel Salidek	Payment to Producer	12/17/07
Various	Airfare	Various
Various	Payroll	Various
Evolution Entertainment	Publicity Fee	10/15/07
Total		

Note: Duck Farm Films did not provide support for expenditures. All expenditures noted are unsupported in addition to being excluded for the reasons noted.

Note: The following types of unqualified expenditures were not identified for this film:

- Deferred payments
- In-kind expenditures
- No proof of payment
- Not directly related to production
- Paid but unsupported expenditures

	Payments to the Producer and Lead Actors	Out-of-State Vendor/Resident	Total
\$	10,000.00	-	10,000.00
	10,000.00	-	10,000.00
	-	29,055.88	29,055.88
	23,769.39	-	23,769.39
	-	15,000.00	15,000.00
\$	43,769.39	44,055.88	87,825.27

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Woodsmith Shop 2* (08-036)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Solvent Dreams	Color and Audio Editing	Unknown

Note: The following types of unqualified expenditures were not identified for this film:

- Payments to the producer and lead actors
- Deferred payments
- In-kind expenditures
- No proof of payment
- Not directly related to production
- Paid but unsupported expenditures

Out-of-State Vendor/Resident		Total
\$ 110,583.00		110,583.00

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Schedule of Unqualified Expenditures – *Sugar* (07-001)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Ric Robers	Salary	08/27/07

Note: The following types of unqualified expenditures were not identified for this film:

- Payments to the producer and lead actors
- Deferred payments
- In-kind expenditures
- No proof of payment
- Not directly related to production
- Paid but unsupported expenditures

Out-of-State Vendor/Resident		Total
\$ 3,606.41		3,606.41

Report on Special Investigation of the
Department of Economic Development
Film Office

Schedule of Unqualified Expenditures – *The Final Season* (08-003)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Main Street Theaters	Unknown	03/18/07

Note: The following types of unqualified expenditures were not identified for this film:

Payments to the producer and lead actors

Deferred payments

In-kind expenditures

No proof of payment

Not directly related to production

Paid but unsupported expenditures

Out-of-State Vendor/Resident	Total
\$ 300.00	300.00

Report on Special Investigation of the
Department of Economic Development
Film Office

Schedule of Unqualified Expenditures – *Madama Butterfly* (08-014)
For the Period May 14, 2007 through September 21, 2009

Vendor	Description	Date
Arthur Shafman's AAAArtists Intl	<i>Unknown</i>	09/19/08
Chicago College of Performing	<i>Unknown</i>	01/31/09
Wells Fargo Bank	Banking Fees	Various
Fundraising Costs	Fundraising Costs	Various
Operating Expenses	Operating Expenses	Various
Props Lady	<i>Unknown</i>	<i>Unknown</i>
Board Pres Admin	<i>Unknown</i>	<i>Unknown</i>
Board Treas	<i>Unknown</i>	<i>Unknown</i>
Housing for Cast	<i>Unknown</i>	<i>Unknown</i>
Board Secretary	<i>Unknown</i>	<i>Unknown</i>
Development St. Mich	<i>Unknown</i>	<i>Unknown</i>
Total		

Note: The following types of unqualified expenditures were not identified for this film:

- Payments to the producer and lead actors
- Deferred payments
- No proof of payment
- Paid but unsupported expenditures

In-kind Expenditures	Not Directly Related to Production	Out-of-State Vendor/Resident	Total
\$ -	-	2,000.00	2,000.00
-	-	80.00	80.00
-	21,610.29	-	21,610.29
-	16,444.35	-	16,444.35
-	12,720.07	-	12,720.07
2,450.00	-	-	2,450.00
5,000.00	-	-	5,000.00
10,000.00	-	-	10,000.00
22,500.00	-	-	22,500.00
2,500.00	-	-	2,500.00
5,000.00	-	-	5,000.00
\$ 47,450.00	50,774.71	2,080.00	100,304.71

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director
James S. Cunningham, CPA, Manager
Joshua B. Ludwig, CPA, Staff Auditor
Brian P. Schenkelberg, CPA, Staff Auditor
Lara K. Van Wyk, Assistant Auditor

A handwritten signature in black ink, reading "Tamera S. Kusian". The signature is written in a cursive style with a prominent initial "T".

Tamera S. Kusian, CPA
Deputy Auditor of State

Appendices

Appendix 1

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Film Project Status

Film Number	Production Company	Film Name	Status
07-FILM-001	Single A Films	Sugar	Credits Issued
07-FILM-002	Duck Farm Films	16 to Life	Credits Issued
08-FILM-001	Changing Horses Productions	Saddle Up with Dennis Brouse	Credits Issued
08-FILM-002	Changing Horses Productions	Saddle Up with Dennis Brouse	Credits Issued
08-FILM-003	Final Season, Inc.	The Final Season	Credits Issued
08-FILM-004	LionHeart Films	South Dakota	Credits Issued
08-FILM-005	Cornfield Productions	Peacock	Credits Issued
08-FILM-006	Four Midwest Guys Productions	In the Zone	Contract- Default
08-FILM-007	Hawthorne Direct	Applica Juiceman	Application Approved
08-FILM-008	Hawthorne Direct	Applica Lean Fryer	Credits Issued
08-FILM-010	Hawthorne Direct	Haan Steam Products	Credits Issued
08-FILM-011	Polynation Pictures	The Scientist	Credits Issued
08-FILM-012	Purgatory the Movie, LLC	Road to Purgatory	Contract
08-FILM-013	Billian Entertainment Company	In Realms Beyond	Contract- Default
08-FILM-014	Cedar Rapids Opera Theatre	Madama Butterfly	Credits Issued
08-FILM-015	Ticket Out Productions	Ticket Out	Credits Issued
08-FILM-017	Keswick Films	Crawl	Application Approved
08-FILM-018	Children of the Corn Productions, Corp.	Children of the Corn	Credits Issued
08-FILM-020	Changing Horses Productions	Saddle Up with Dennis Brouse	Credits Issued
08-FILM-021	Confessional, LLC	Confessional	Contract
08-FILM-023	Meet the Murphys, LLC	Meet the Murphys	No Request to Proceed
08-FILM-025	GPX Development LLC	Soaked	Contract- Default
08-FILM-027	Changing Horses Productions	Saddle Up Documentary DVDs	Credits Issued
08-FILM-029	Hawthorne Direct	Applica Lean Fryer 2	Credits Issued
08-FILM-030	Ghost Player, LLC	Field of Dreams Ghost Players	Contract
08-FILM-031	Changing Horses Productions	Saddle Up Documentary	Contract
08-FILM-032	Changing Horses Productions	Saddle Up with Dennis Brouse	Credits Issued
08-FILM-033	The Experiment LLC	The Experiment	Contract
08-FILM-035	Shiver FilmCo	Shiver	Contract
08-FILM-036	August Home Studios, LLC	The Woodsmith Shop 2	Credits Issued
08-FILM-038	Iowa Film Production Services	The Offering	Credits Issued
08-FILM-039	Magnet Media Group	Boning Up	No Request to Proceed
08-FILM-040	Underground Films	Underground	Contract- Submitted
08-FILM-041	The Orange City Basket Ball Production, LLC	Winning Favor	Contract

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Film Project Status

Film Number	Production Company	Film Name	Status
08-FILM-042	Rainy Afternoon Films, LLC	Flatlands	No Request to Proceed
08-FILM-043	Head Above Water, LLC	Head Above Water	Revocation Revoked
08-FILM-044	Polynation Pictures	Light and Darkness	Application Approved
08-FILM-045	Jekyll Productions	The Crazies	Contract
08-FILM-074	Force of Nature Filmworks III	Shoedog	Contract-Default
08-FILM-075	Believe It Baby	Believe It Baby	No Request to Proceed
08-FILM-076	J. Andrew Axel	Exploration Iowa	No Request to Proceed
08-FILM-077	J. Andrew Axel	Grounded	No Request to Proceed
08-FILM-078	No Warning, LLC	No Warning	No Request to Proceed
08-FILM-079	Sam's Story, LLC	Sam's Story	Application Approved
08-FILM-080	Meredith Video, LLC	2009 Kraft Foods	Application Approved
08-FILM-081	J. Andrew Axel	Songways	No Request to Proceed
08-FILM-082	Billy and Ray Production Company, LLC	Billy and Ray	Application Approved
08-FILM-083	War Monkeys, LLC	War Monkeys	Contract-Default
09-FILM-001	Beloved Pictures, LLC	Dear Eleanor	No Request to Proceed
09-FILM-002	Twelve Thirty Productions	Twelve Thirty	Credits Issued
09-FILM-003	Killer Films	Dreams of A Dying Heart	No Request to Proceed
09-FILM-007	It's Not My Fault, LLC	Megafault	Contract- Submitted
09-FILM-008	Wild Prairie Film Productions	My Own Blood	Contract- Default
09-FILM-009	August Home Studios, LLC	Woodsmith Shop 3	Application Approved
09-FILM-010	Mississippi Films	Five Step Credit Program	Credits Issued
09-FILM-011	Silver Hills Pictures	Sam Steele and the Junior Detective Agency	Contract Submitted
09-FILM-012	Iowa Film Production Services	Splatter	Credits Issued
09-FILM-017	Ash Indie Film	Ash	Contract- Submitted
09-FILM-033	Canyon Entertainment Complex, LLC	Whispers Like Thunder	No Request to Proceed
09-FILM-036	Hawthorne Direct	Vasyli	Contract
09-FILM-037	Hawthorne Direct	3M Command Strips	Contract
09-FILM-038	Enzo Films, LLC	Carter 145	Application Approved
09-FILM-039	Hawthorne Direct	Haan Steam Station	Contract
09-FILM-040	Mississippi Films	Who's Your Daddy?	Contract- Submitted
09-FILM-041	Beautiful Calf Productions	The Briefcase	No Request to Proceed
09-FILM-045	True Player Entertainment, Inc.	American Ghost Hunter	Contract-Submitted

Appendix 1

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Film Project Status

Film Number	Production Company	Film Name	Status
09-FILM-047	Simple Seed Pictures, LLC	Calvacade	Application Approved
09-FILM-048	IOU Productions, LLC	I.O.U. Nothing	Application Approved
09-FILM-049	Love and Providence Production Company, LLC	Aquarium Life (Love and Providence)	Application Approved
09-FILM-050	Ten / Four Pictures/ Lucky MP LLC	Lucky	Contract
09-FILM-051	No Coast in Sight, LLC	Pet	Application Approved
09-FILM-052	Rrell Entertainment, LLC	RAGBRAI	Contract
09-FILM-053	EGM Film International	Slavemaster: Pirates of the Universe	Contract
09-FILM-054	JPA Productions	Thy Will Be Done	No Request to Proceed
09-FILM-055	BackHome Pictures, LLC	Dance At My Weddings	No Request to Proceed
09-FILM-056	BackHome Pictures, LLC	El Cordobes	No Request to Proceed
09-FILM-057	BackHome Pictures, LLC	The Psalm Reader	No Request to Proceed
09-FILM-058	Zeros and Ones Production Company, LLC	Zeros and Ones	Application Approved
09-FILM-059	Station Three	The Need	Application Approved
09-FILM-060	After Dark Films	Husk	Under Contract
09-FILM-061	After Dark Films	Fertile Ground	Under Contract
09-FILM-062	Spring Run Films, LLC	Jeep Treasure	Application Approved
09-FILM-063	EGM Film International	2060	No Request to Proceed
09-FILM-064	EGM Film International	Run Rabbit Run	No Request to Proceed
09-FILM-065	EGM Film International	Infamous	No Request to Proceed
09-FILM-066	Grand Slammer, LLC	Grand Slammer	Application Approved
09-FILM-067	Ripple Pictures	Farmer	Application Approved
09-FILM-068	Hawkeye Entertainment	Play Your Hunch	Application Approved
09-FILM-069	Hawkeye Entertainment	Ottumwa	Application Approved
09-FILM-070	Hawkeye Entertainment	Numbers	Revocation Revoked
09-FILM-071	Hawkeye Entertainment	Extreme Racing Challenge	Application Approved
09-FILM-072	Hawkeye Entertainment	The Descendant	Revocation Revoked
09-FILM-073	Bet the Farm, LLC	Before and After the Spelunking Incident	Application Approved
09-FILM-074	Rara Avis	Kingsbury Run	No Request to Proceed
09-FILM-075	Harbinger Pictures	Oil and Honey	No Request to Proceed
09-FILM-076	Zipper Films, LLC	Last First Time	No Request to Proceed
09-FILM-077	Polynation Pictures	Untitled L.B. Project	Application Approved
09-FILM-078	Polynation Pictures	The Field on the Corner	Application Approved

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Film Project Status

Film Number	Production Company	Film Name	Status
09-FILM-079	Carson Cattle Company	Gallaudet	No Request to Proceed
09-FILM-080	Polynation Pictures	Red Robin	Application Approved
09-FILM-081	Polynation Pictures	Untitled H.E. MMA Project	Application Approved
09-FILM-082	Polynation Pictures	Forever (aka Run)	Application Approved
09-FILM-083	Polynation Pictures	The Magician	Application Approved
09-FILM-084	Polynation Pictures	The Assassins	Application Approved
09-FILM-085	Polynation Pictures	The End of the Beginning	Application Approved
09-FILM-086	Polynation Pictures	MOA Movie	Application Approved
09-FILM-087	Polynation Pictures	Good Evening '95	Application Approved
09-FILM-088	Polynation Pictures	Cherry Lane	Application Approved
09-FILM-089	Midsummer Legendary 1, Ltd.	Legendary: The Shocate	Application Approved
09-FILM-090	September Productions LLC	When September Ends	Contract
09-FILM-093	Hazell Productions	Brush and Scalpel	Application Approved
09-FILM-094	Cary & Chase LLC	Cary and Chase	No Request to Proceed
09-FILM-095	Midsummer Legendary 1, Ltd.	Charles and Lucy	Application Approved
09-FILM-096	Hazell Productions	Church and State	Application Approved
09-FILM-097	Midwest Productions, LLC	Day of the Woman	No Request to Proceed
09-FILM-098	Hazell Productions	Hardship to Hope	Application Approved
09-FILM-099	Hazell Productions	Heartland Music in the Old Country	Application Approved
09-FILM-100	Hazell Productions	Inside and Out	Application Approved
09-FILM-101	Unified Pictures	Janie Jones	Application Approved
09-FILM-102	Hazell Productions	Live at the Blues Shop	Application Approved
09-FILM-103	Domain Entertainment	Mrs. Killjoy	No Request to Proceed
09-FILM-104	Harbinger Pictures, LLC	My Name is Sara	No Request to Proceed
09-FILM-105	Midsummer Legendary 1, Ltd.	Nocturne	Application Approved
09-FILM-106	Midsummer Legendary 1, Ltd.	Pedale Douce	Application Approved
09-FILM-107	Hazell Productions	River Country	Application Approved
09-FILM-108	Hazell Productions	The Search for Prometheus	Application Approved
09-FILM-109	Hazell Productions	The Four Lanes	Application Approved
09-FILM-110	Hazell Productions	The Last Champion	Application Approved
09-FILM-111	Hazell Productions	The Bell Man	Application Approved
09-FILM-112	StoryLounge Media Group	The Science of Thrill	Application Approved

Appendix 1

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Film Project Status

Film Number	Production Company	Film Name	Status
09-FILM-113	Hazell Productions	The Writer's Workshop	Application Approved
09-FILM-114	Midsummer Legendary 1, Ltd.	Thunderbird	Application Approved
09-FILM-115	Field of Screams, LLC	Untitled Field of Screams project	Contract-Submitted
09-FILM-116	Midsummer Legendary 1, Ltd.	Windigo	Application Approved
09-FILM-117	Midwest Productions, LLC	Garden of Evil	Application Approved
09-FILM-118	Midwest Productions, LLC	Mandrake	No Request to Proceed
09-FILM-119	Midwest Productions, LLC	Behemoth	No Request to Proceed
09-FILM-120	Jeremy Alter	One by One	No Request to Proceed
09-FILM-121	Great River Productions	Troll	Application Approved
09-FILM-122	Mississippi Films	Drop Gun	Application Approved
10-FILM-001	Recess Film Productions, LLC	Blackbeard	Application Approved
10-FILM-003	Lucy Productions	Lucy	No Request to Proceed
10-FILM-004	Missoura, LLC	Missoura	No Request to Proceed
10-FILM-005	Changing Horses Productions, LLC	Saddle Up with Dennis Brouse 3	Application Approved
10-FILM-006	Spring Run Films, LLC	ShBoinks	Application Approved
10-FILM-007	Changing Horses Productions, LLC	Saddle Up with Dennis Brouse 3 DVDs	Application Approved
10-FILM-009	Minds Eye	Clean Out	Under Contract
10-FILM-010	Spring Run Films, LLC	ShBoinks 2	Application Approved
10-FILM-011	Spring Run Films, LLC	Tesla	Application Approved
10-FILM-012	Iowa Film Production Services	Collapse (aka Horror)	Application Approved
10-FILM-013	Strangers 11 LLC	Strangers 2	No Request to Proceed
10-FILM-014	TriCoast Iowa Productions, LLC	Smitty	Contract
10-FILM-016	Spring Run Films, LLC	ShBoinks 3	Application Approved
10-FILM-017	David A. Brown, LLC	Scribble	Application Approved
10-FILM-021	Cedar Rapids Opera Theatre	Salome	Under Contract
10-FILM-024	Northlands Production Co.	Cedar Rapids	Revocation Revoked
10-FILM-026	Waterfront Media, LLC	Heartland Sunrises	Application Approved

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

E-mail – Expenditures Not Limited

RE: Two questions

From: **Wheeler, Tom [IDED]** (Tom.Wheeler@iowalifechanging.com)
Sent: Thu 12/18/08 8:23 PM
To: 'Bruce Heppner-Elgin' (filmmakerbruce@hotmail.com)

See attached signed contract.

Expenditure amounts are not limited by estimates in the application or contract. Spending more gets you more certificate value.

Retroactive cancellation is your worst nightmare. Just say Touch Play enough and your script becomes a walk in the park.

From: Bruce Heppner-Elgin [mailto:filmmakerbruce@hotmail.com]
Sent: Thursday, December 18, 2008 12:11 PM
To: Wheeler, Tom [IDED]
Subject: Two questions

Okay, maybe three. I lose count.

First...Did Mike send back a signed copy?

Second...what if we actually spend more in Iowa than we have in the contract? Example: Just found out that one of our possible lead actresses has a five month old baby, so we'd need to hire an assistant for child care on set. Didn't budget for that!

Third...to assuage my OCD paranoia...what could go wrong with the process at this point? I know that if we don't finish shooting, then the deal is dead, and if we do something horrible like dig up a little old lady's back yard and turn it into a sinkhole, that's bad too. What else, other than the collapse of the U.S. economy could go break the deal?

Thanks!

B

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Deal Memos – *The Offering* and *Splatter*

To: Scott Blow
From: Bruce Heppner-Elgin, President, Iowa Film Production Services, Inc.
Date: 6/18/2009
Re: Work on *Splatter*

Dear Scott,

Your time and effort on *Splatter* are greatly appreciated. The terms of your involvement are listed below:

Supporting Cast	\$20000.00
Set Dresser	\$700.00
Per Diem:	\$750.00
Mileage:	\$300.00
Final pay:	\$21750.00

The payment above will be mailed out to you within 1 week after the tax incentives vouchers are brokered to cash, approximately 4 to 6 weeks after the end of principal photography.

In the event that the film sells for over nine million dollars, then you will receive an additional payment of \$82800.

If the film sells for less than nine million dollars, you will receive a proportional cut of the profits.

If the film does not sell at all, you will not receive any additional pay.

It has been great working with you on this film.




Bruce Heppner-Elgin
President, Iowa Film Production Services

Agreement:

I agree to the terms of pay for this project.



Scott Blow

Date

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Deal Memos – The *Offering* and *Splatter*

To: Mark Britton
From: Bruce Heppner-Elgin, President, Iowa Film Production Services, Inc.
Date: 6/18/2009
Re: Work on *Splatter*

Dear Mark,

Your time and effort on *Splatter* are greatly appreciated. The terms of your involvement are listed below:

Camera Operator	15000
Steadicam Operator	5000
Camera/Lens Package Rental	12000
DIT Computer Rental	2000
Sound Gear Rental	6000
2nd Electric Package	5000
Video Assist Package	10000
Truck Package	10000
2nd Grip Package	4000
Per Diem:	750
Mileage:	1080
Final pay:	\$70830.00

The payment above will be mailed out to you within 1 week after the tax incentives vouchers are brokered to cash, approximately 4 to 6 weeks after the end of principal photography.

In the event that the film sells for over nine million dollars, then you will receive an additional payment of \$276000.

If the film sells for less than nine million dollars, you will receive a proportional cut of the profits.

If the film does not sell at all, you will not receive any additional pay.

It has been great working with you on this film.



Bruce Heppner-Elgin
President, Iowa Film Production Services

Agreement:

I agree to the terms of pay for this project.



Mark Britton

June 19 2009

Date

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Deal Memos – *The Offering* and *Splatter*

To: Eric Dean Freese
From: Bruce Heppner-Elgin, President, Iowa Film Production Services, Inc.
Date: 6/18/2009
Re: Work on *Splatter*

Dear Eric,

Your time and effort on *Splatter* are greatly appreciated. The terms of your involvement are listed below:

Director of Photography	28000
Per Diem:	750
Mileage:	1250
Final pay:	\$30000.00

The payment above will be mailed out to you within 1 week after the tax incentives vouchers are brokered to cash, approximately 4 to 6 weeks after the end of principal photography.

In the event that the film sells for over nine million dollars, then you will receive an additional payment of \$112000.

If the film sells for less than nine million dollars, you will receive a proportional cut of the profits.

If the film does not sell at all, you will not receive any additional pay.

It has been great working with you on this film.



Bruce Heppner-Elgin
President, Iowa Film Production Services

Agreement:
I agree to the terms of pay for this project.



Eric Dean Freese

Date

6/20/09

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Deal Memos – The *Offering* and *Splatter*

To: Mark Britton
From: Bruce Heppner-Elgin, President Iowa Film Production Services
Re: Work on The Offering
1/11/2009

Dear Mark,

Your time and effort on The Offering are greatly appreciated. The terms of your involvement are listed below:

In exchange for your work on the film, you will receive:

\$8,000 minimum guaranteed payment for your work as Camera Operator
\$2,000 for Steadicam Operator
\$4,000 for Camera Rental
\$1,000 for computer rental
\$2,000 for sound gear rental
\$2,000 for 2nd electric package
\$5,000 for video assist package
\$10,000 for truck package
\$2,000 for 2nd grip package
\$600 for per diem
totaling \$36,600

This payment will be made out to you the day the tax incentives vouchers are brokered to cash, approximately 4 to 6 weeks after the end of principal photography.

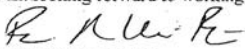
In the event that the film sells for over three million dollars, then you will receive an additional 146,400 dollars for a total of \$183,000.

If the film sells for less than three million dollars, you will receive a proportional cut of the profits.

If you are asked to work any additional shooting days, you will be paid 500 dollars per day on the same date listed above with a proportional increase of your cut of potential profits.

You will also be paid mileage at the rate of 40 cents per mile.

I am looking forward to working with you on this film.

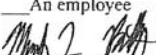

Bruce Heppner-Elgin
President, Iowa Film Production Services


Mark Britton

02/20/2009
Date

Work Status:
For this film, I elect to work as:

☒ A contract worker

☐ An employee

Mark Britton

02/20/2009
Date

Report on Special Investigation of the
Film, Television and Video Project Production Program
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Notification of Fraud Letter

Postmarked 6/25/09
Arrived 6/29/09

Hi Mr. Wheeler,

I am writing because I discovered what I think to be a fraud perpetrated on the tax payers of Iowa. I am vacationing in Los Angeles and bumped into a company Polynations Films. The head of the company, Wendy Weiner, told me how she gets the state of Iowa to totally fund her movies. She explained how she puts in millions of dollars in phony deferments with people she knows then gets tax credits to cover it. She walks away having the state pick up the whole bill. As an example she said she spent \$750,000 on her film The Scientist but she's put in for over two million dollars in tax credits. She triples the cost for vendors or crew, she then writes deferment contacts, and she never has any intention of paying the deferments. Where I come from that's fraud. With so many tax payers losing their homes and barely scraping by to have a Iowa government program which allows this is intolerable. I hope you do something about this situation otherwise I will contact a news station and have them do an investigation. She goes around bragging how she is working this scam and she mentioned your name repeatedly. The conversation I had with her disgusted me.

Sincerely,

Jim Brewer
233 Wedgewood Drive
Minneapolis, MN 55433

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Notification of Fraud Letter

IOWA
| changing

June 29, 2009

Jim Brewer
233 Wedgewood Drive
Minneapolis MN, 55433

Dear Mr. Brewer,

Thank you very much for your candid letter regarding Polynation Pictures. I was very surprised to read how Ms. Weiner's methods were reported to you.

Ms. Weiner has a number of projects under consideration in Iowa's program. Her project "The Scientist" was the first and I was aware of her use of deferred compensation. Following her project, a limited number of other producers have been allowed to use deferred compensation agreements. This mechanism was allowed so that local filmmakers could establish their companies more firmly in Iowa. Now that it has served its purpose, this mechanism is being phased out. It certainly was not intended to be used to the extent that you report.

I will follow up with Ms. Weiner to determine if she underrepresented her use of deferrals in the past or if she over stated its use to you and others. In either case, I will emphasize to her that the use of deferrals will no longer be allowed.

Again, thank you very much for the report. Good programs need vigilance to remain in use.

Regards,



Tom Wheeler
Manager, Iowa Film Office
200 E. Grand Ave.
Des Moines, IA 50309
p: 515.725.3144
c: 515.783.7466
f: 515.725.3010
www.iowalifechanging.com/film
IOWA life | changing

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Letter Confirming In-Kind Expenditures

Witter Consulting Group, Inc.

April 30, 2008

Tom Wheeler
Manager, Iowa Film Office
200 E. Grand Ave.
Des Moines, IA 50309
p: 515.242.4726

Dear Mr. Wheeler:

RE: Film, Television, and Video Project Promotion Program

This memorandum will document conversations between you, Dennis Brouse, myself, and other advisors to Changing Horses, LLC, related to Changing Horses, LLC and Iowa's Film, Television, and Video Project Promotion Program (Film Tax Credit), specifically related to the issue of Changing Horses, LLC receiving vendor services that will be paid for with sponsorship rights.

Changing Horses, LLC and Dennis Brouse are interviewing production personnel in Iowa, negotiating with Iowa investors, scouting Iowa locations, entering into non-cancellable contracts and other commitments based upon their understanding of past conversations with the Iowa Film Office that the contemplated projects will qualify for the Iowa Film Promotion Tax Credits.

Changing Horses is in process of building an operating company in Iowa to grow a branded equestrian marketing and production company. This Company and its efforts will likely attract horse lovers from around the globe to Iowa. Changing Horses and its projects will have a significant economic impact on the state, the project will further tourism, economic development, population retention in the state, and Changing Horses (and indirectly the state of Iowa) will receive millions of dollars of advertising through the sponsorship sales to the strategic vendors.

Changing Horses will file three applications for its projects.

- Project # 1 – This is a critical project, which consists of several equestrian training videos that will have world wide distribution and be filmed entirely in Iowa. The videos and all related material will be marketed through numerous national and international channels.
- Project # 2 – This will be composed of Episodes 1-6, of a television series. The series will likely air nationally on PBS starting in early 2009. It will also be distributed internationally.
- Project # 3 – This will be composed of Episodes 7-13, of a television series. The series will likely air nationally on PBS starting in early 2009. It will also be distributed internationally.

Project # 1 will likely be completed in June of 2008. The project's accounting will likely be submitted to the Film Office for review in June of 2008. Total expenditures will likely be in the range of \$400,000 to \$500,000 to film the training videos. Three strategic vendors, American Cowboy Magazine, Gold Buckle Network, and Fund 4 Horses, will each provide approximately \$1,000,000 in advertising, marketing and related services to Changing Horses.

These three strategic vendors will each provide Changing Horses with a \$1,000,000 dollar invoice, which will correspond with a contract to provide that dollar amount in marketing services to their respective marketing channels for a specified period. Changing Horses will satisfy these invoices by providing the strategic vendors with the sponsorship rights for the training videos and associated programs.

The estimated film accounting for Project # 1 will be at least \$3,300,000 in qualifying expenditures, including the in-kind exchanges. We anticipate converting both the production and investor tax credits into cash and using the proceeds along with additional investor funds to complete Project #2 and #3. This and the other projects will not be able to be completed if the tax credits are not issued.

Confidential

Page 1 of 4

9/21/2009

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Letter Confirming In-Kind Expenditures

Witter Consulting Group, Inc.

At the completion of Project #2 and #3 we will likely submit our final accounting for the production and investor tax credits. We reserve the right to submit at the completion of Project #2 but do not expect to do so at this time. We anticipate that a fourth strategic vendor will provide Changing Horses with a final \$1,000,000 invoice that will be paid through a final sponsorship sale. This vendor service for sponsorship transaction will be handled the same as Project #1.

The tax credit proceeds from Project #2 and #3 will be used to grow Iowa's Changing Horses, LLC as a premier equestrian marketing and productions company as well as satisfy investor and financing obligations.

We believe that your e-mail dated 4/23/2008 documents the Iowa Film Office's and the Department of Revenue's understanding of our proposed transaction. We have provided the text of that e-mail below, for your review.

From: Wheeler, Tom [IDED] [mailto:Tom.Wheeler@iowalifechanging.com]
Sent: Wednesday, April 23, 2008 3:58 PM
To: HorseMiracleWrkr@aol.com
Cc: Chad Witter; kevin.foral@rmsi.com
Subject: Ruling on vendor eligibility

Dennis,

The Iowa Department of Revenue has issued an unexpected clarification to what it means to be a vendor in the Iowa film incentive program. This is a change to what I have told you so far.

Previously I said that to be a qualified vendor, the company only needed to register to do business with the Iowa Secretary of State. Now the company must file articles of incorporation (or organization) with the Secretary of State.

When a company that has incorporated in another state files to conduct business in Iowa, Iowa Revenue code considers that company to be foreign. When a company files articles of incorporation in Iowa, Revenue code considers that company to be domestic. The language used in the incentive program is that the vendor must be Iowa-based and Revenue has ruled that this means domestic and incorporated in Iowa.

This means that American Cowboy Magazine (ACM) and your other non-Iowa-based vendors will have to submit articles of incorporation to the Iowa Secretary of State's office to be considered a qualified vendor. ACM itself does not have to move its articles of incorporation but they do have to establish some legal entity here not unlike you establishing a company for the project.

In addition, the project must also be incorporated in Iowa to satisfy similar language that the project be an Iowa taxpayer. If I remember correctly, you intended to do this anyway.

Business conducted directly between your domestic project company and any domestic vendor is qualified. In the event that ACM or any of the other non-Iowa vendors choose not to incorporate here, then any domestic vendor can act on your behalf with that vendor.

I am happy to provide what details I can on how to go about the incorporation process. In addition, there are contacts at the Secretary of State's office and at Revenue who can take questions directly.

I know that this is a sudden change of procedure and I apologize for that. I am more than happy to get this resolved with you as I would very much like to see your project underway here in Iowa.

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Letter Confirming In-Kind Expenditures

Witter Consulting Group, Inc.

Regards,

Tom Wheeler
Manager, Iowa Film Office
200 E. Grand Ave.
Des Moines, IA 50309
p: 515.242.4726
c: 515.783.7466
f: 515.242.4718
www.traveliowa.com/film
IOWA life | changing

Our understanding is that Changing Horses, LLC and its strategic vendors will need to establish a legal entity in the state of Iowa and conduct business through those Iowa entities. That business, which will include the service for sponsorship transactions and will then be deemed as qualifying expenditures in Iowa's Film Tax Credit Program.

Furthermore, in a separate message between you and Jim McNulty, it was clarified that in-kind contributions can qualify in the program when they are at fair market value.

From: McNulty, Jim [IDR]
Sent: Wednesday, April 30, 2008 3:07 PM
To: Wheeler, Tom [IDED]
Cc: 'Chad Witter'
Subject: RE: Changing Horses in-kind contributions

Tom, this issue had arisen before regarding in-kind contributions, as shown in the attached notes from last fall. It is my view that these would qualify for the film expenditure credit and the income exclusion (assuming that this amount is included in federal income, which I believe it would).

Jim

-----Original Message-----

From: Wheeler, Tom [IDED]
Sent: Wednesday, April 30, 2008 2:39 PM
To: McNulty, Jim [IDR]
Cc: 'Chad Witter'
Subject: Changing Horses in-kind contributions

Jim,

Producer Dennis Brouse with a project called "Changing Horses" has a question about in-kind contributions. The project is about training difficult horses.

One of the vendors, American Cowboy Magazine (ACM), has offered \$1M in promotional services in exchange for \$1M of sponsorship in the project. ACM will invoice Dennis for the \$1M which he will "pay" with sponsor recognition during the viewed material. ACM will be a domestic vendor.

The approximate \$1M charges are based on best estimates of fair market values.

In your opinion, would the \$1M invoiced to Dennis qualify as a project expenditure that Dennis can earn an expenditure credit on? If so, then can ACM exclude this amount from its Iowa income tax liability?

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Letter Confirming In-Kind Expenditures

Witter Consulting Group, Inc.

Chad Witter, CPA, is consulting with Dennis on this project. He is included in this message.

Regards,

Tom Wheeler
Manager, Iowa Film Office
200 E. Grand Ave.
Des Moines, IA 50309
p: 515.242.4726
c: 515.783.7466
f: 515.242.4718
www.traveliowa.com/film
IOWA life | changing

The success or failure of these projects is dependent on our mutual understanding with regards to domestic vendors and to the in-kind exchanges.

Please confirm that our understanding of the procedures surrounding the domestic incorporation and in-kind exchanges is correct.

Best regards,

Chad Witter, CPA, ASA
Witter Consulting Group, Inc.
2261 Lindenwood Drive
Bettendorf, Iowa 52722

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Letter Confirming In-Kind Expenditures



May 6, 2008,

Chad Witter, CPA, ASA
Witter Consulting Group, Inc.
2261 Lindenwood Drive
Bettendorf, Iowa 52722

Dear Mr. Witter,

Re: Changing Horses project and the Iowa Film, Television, and Video Project Promotion Program

This letter is to confirm that the intention for "Changing Horses" to conduct business with domestic vendors including the use of in-kind exchanges will be eligible as qualified expenditures in the Iowa Film, Television, and Video Project Promotion Program.

As per previous messages with yourself and Jim McNulty of the Iowa Department of Revenue, domestic or "Iowa-based business" means a business whose commercial domicile is in Iowa and "commercial domicile" means the principal place from which the trade of business of the taxpayer is directed or managed. Incorporating or organizing the vendor's business in Iowa makes payments to that vendor by the registered project eligible for both investor and producer tax certificates. In addition, the domestic vendor will be eligible to exclude from Iowa income tax returns 100% of monies earned from the registered project.

Also per previous messages with yourself and Jim McNulty, in-kind exchanges are considered to be equal to the fair market cash value of those goods or services. In-kind goods or services should be invoiced to the project by the domestic vendor as if they were to be paid with cash. Indicate a discount of 100% so that a zero balance is shown.

Please don't hesitate with any comments or questions.

Regards,

A handwritten signature in black ink, appearing to read "Tom Wheeler".

Tom Wheeler
Manager, Iowa Film Office
Iowa Department of Economic Development
Tom.wheeler@iowalifechanging.com
515.242.4726

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

50% off! 1/2 Price Filmmaking!

IOWA
changing

Iowa Film, Television and Video Project Promotion Program

50% off! 1/2 Price Filmmaking!

1. Investors earn 25% of qualified spending as transferable Iowa income tax credits.

PLUS

2. Producers earn 25% of qualified spending as transferable Iowa income tax credits.

- For example, if a project has \$1,000,000 of qualified spending, then the investor pool earns \$250,000 in transferable Iowa income tax credit certificates plus the producer or production company earns \$250,000 in transferable Iowa income tax credit certificates. That's a total of \$500,000 worth of Iowa income tax certificates!

PLUS

3. 100% income exclusion for vendors – tax-free income. Vendors must be Iowa-based or incorporated in Iowa. The Iowa Department of Revenue calls this status "domestic."

Registration requirements:

At least \$100,000 of spending in Iowa;
Distribution beyond the Midwest region;
Application and contract required.

Pass-through eligible on labor, goods and services. Producer must hire Iowa-based vendors for cast (other than principal), crew, labor, goods, and services. Any Iowa-based vendor can outsource labor, goods or services for the producer.

Other benefits:

No caps per project or on program;
Ongoing spending consultation;
Rapid credit certificate turnaround;
No state permits, no state fees;
State property free for locations;
Lodging tax waived on 32nd day.

Exclusions:

Director, Producer and Principal Cast do not qualify (even if they are Iowans);
Producer outsourcing. Only Iowa-based vendor can outsource or pass-through;
Obscenity as per Iowa code.

Recent features:

2006, "The Final Season," Cedar Rapids
2006, "The Hideout," Davenport
2007, "Sugar," Davenport
2007, "Duck Farm No. 13," McGregor
2008, "South Dakota," Earlham
2008, "Peacock," Greenfield

For more information, contact:

Tom Wheeler
Manager, Iowa Film Office
P: 515.242.4726
M: 515.783.7466
Tom.wheeler@iowalifechanging.com
www.traveliowa.com/film

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Application

**Application for Registration in the Iowa Film, Television and
Video Project Promotion Program**

Iowa Film Office, Iowa Department of Economic Development
200 E. Grand Avenue, Des Moines, IA 50309
P: 515.242.4726 F: 515.242.4718
filmiowa@iowalifechanging.com www.traveliowa.com/film

Requests for registration of projects must be received by the Iowa Film Office at least one week prior to the commencement of production activities in the state.

Input data in sections highlighted yellow.

Project Title:

Synopsis:

Production Company to Receive Incentive:

Company Name:
Business Address:
City:
State:
ZIP:
Phone:
Fax:
FEIN / Tax ID:
Web:

Contact Name:
Phone:
E-mail:

Lead Production Names and Contacts:

Line Producer
Name:
Phone:
E-mail:

Unit Production Manager
Name:
Phone:
E-mail:

Production Accountant
Name:
Phone:
E-mail:

Production Dates:

Start of Pre-production or Principal Photography:
End of Principal Photography or Post-production:

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Application

Production Type: Check one of the following.

- ☐ Feature-length Film
- ☐ Short Film
- ☐ Commercial
- ☐ Documentary
- ☐ Music Video
- ☐ TV Series
- ☐ TV Segment
- ☐ Other. If other, then please describe:

Format: Check one of the following

- ☐ 35mm
- ☐ 16mm
- ☐ HD
- ☐ DV

Distribution: Please check all that apply and specify which broadcaster, festival, etc.

- ☐ Theatrical:
- ☐ Broadcast:
- ☐ DVD:
- ☐ Cable:
- ☐ Festivals:
- ☐ Internet:
- ☐ Other. If other, then please describe:

Budget: Please attach a copy of the current production budget.

Total production budget: \$

Total expected to be spent in Iowa: \$

In-state expenditures: Please attach an expenditure report that itemizes qualified spending to the point of submitting this application.

Schedule of Project Investors:

Attach a list of project investors which includes the following information per person or entity:

Entity name:
First name:
Last name:
Address:
City:
State:
Zip:
Phone:
E-mail:
FEIN / Tax ID:
% ownership:

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Application

Public Records and Confidentiality Requests: Check one of the following:

- ☐ No request. I have reviewed the Notice to Applicants – Open Records included with the application. I understand that upon filing this application it becomes an open record available for public inspection.
- ☐ Yes, there is information in this application for which the business is requesting confidential treatment. To complete your request, please refer to the following Notice, Instructions and Example and Request for Confidential Treatment Form.

NOTICE TO APPLICANTS – OPEN RECORDS

PLEASE NOTE: UPON SUBMISSION OF A SIGNED APPLICATION, THE CONTENTS AND ATTACHMENTS TO THIS APPLICATION FOR REGISTRATION IN THE IOWA FILM, TELEVISION AND VIDEO PROJECT PROMOTION PROGRAM ARE PUBLIC RECORDS WHICH ARE AVAILABLE FOR PUBLIC INSPECTION AND COPYING.

INFORMATION SUBMITTED WITH THIS APPLICATION MAY BE TREATED CONFIDENTIAL IF:

- (1) IT MEETS THE LEGAL REQUIREMENTS FOR CONFIDENTIAL STATUS, AND
- (2) THE APPLICANT FILES A WRITTEN REQUEST FOR CONFIDENTIALITY, AND
- (3) THE DEPARTMENT ISSUES WRITTEN CONFIRMATION THAT THE INFORMATION MEETS THESE REQUIREMENTS AND WILL BE TREATED AS CONFIDENTIAL.

IF NO REQUEST FOR CONFIDENTIAL TREATMENT OF RECORDS IS MADE, THE DEPARTMENT WILL PROCEED AS IF THE APPLICANT HAS NO OBJECTION TO DISCLOSURE TO MEMBERS OF THE PUBLIC.

Iowa's Open Records Law. The Iowa Department of Economic Development (IDED) is a state agency and it is subject to Iowa's Open Records law (Iowa Code, Chapter 22). Treatment of information submitted to IDED in this application is governed by the provisions of the Open Records law. All public records are available for public inspection. Some public records are considered confidential and will not be disclosed to the public unless ordered by a court, the lawful custodian of the record, or by another person duly authorized to release the information.

Legal requirements for confidential treatment of public records.

The information submitted as part of this application information will be available for public inspection, unless a request for confidentiality has been submitted by the applicant in the required form and approved in writing by IDED. Following are the classifications of records which are recognized as confidential under Iowa law and which are most frequently applicable to business information submitted to IDED:

- Trade secrets [Iowa Code §22.7(3)]
- Reports to governmental agencies which, if released, would give advantage to competitors and serve no public purpose. [Iowa Code §22.7(6)]
- Information on an industrial prospect with which the IDED is currently negotiating. [Iowa Code §22.7(8)] [Please note: This section allows confidentiality during the pre-application, negotiation phase. Once negotiations are over and an application is submitted, the application information is available to the public.]

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Application

Communications not required by law, rule or regulation made to IDED by persons outside the government to the extent that IDED could reasonably believe that those persons would be discouraged from making them to the Department if they were made available for general public examination. [Iowa Code §22.7(18)]

Helpful Resources:

<http://coolice.legis.state.ia.us/CoolICE/default.asp?category=billinfo&service=iowaCode&ga=82>.

Link to Iowa's Open Records law, Chapter 22, through the Iowa General Assembly's Web site.

<http://www.legis.state.ia.us/ACO/IAChtml/261.htm>

Link to IDED's administrative rules (see 261 IAC Chapter 195) relating to public and confidential records Iowa's through the Iowa General Assembly's Web site.

http://www.state.ia.us/government/ag/sunshine_advisories/

Link to the Iowa Attorney General's Web site and their "Sunshine Advisories" (a series of bulletins that address topics related to Iowa's Open Records and Open Meetings laws).

Instructions for completing the Request for Confidential Treatment Form:

1. Review the completed application and identify the specific portions of the application that contain information that you are requesting be treated as confidential.
2. Determine if the requested information can be treated confidential under Iowa law. Review the following list and identify the legal basis for your confidentiality request.
 - Trade secrets [Iowa Code §22.7(3)]
 - Reports to governmental agencies which, if released, would give advantage to competitors and serve no public purpose. [Iowa Code §22.7(6)]
 - Communications not required by law, rule or regulation made to IDED by persons outside the government to the extent that IDED could reasonably believe that those persons would be discouraged from making them to the Department if they were made available for general public examination. [Iowa Code §22.7(18)]
 - Other (provide legal citation e.g. reference to a state or federal law not listed above)
3. Provide an explanation for your request to treat the information as confidential. For example, if the basis for your request is §22.7(6) above (releasing information would give an advantage to competitors & serve no public purpose), describe how competitors would be able to use the information to their advantage. Or, if information is a trade secret, describe what precautions you have already taken to protect that information from public disclosure and why such actions are necessary.
4. Complete the Request for Confidential Treatment Form and include it with your application materials.
5. Along with the completed Request for Confidential Treatment Form you will need to submit both (a) an original document that includes the confidential information and (b) a redacted version

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Application

of the same document with the confidential sections blacked out.

- Please conspicuously note on the original record that all or portions of it are confidential. The original document with the confidential information included will be maintained in the section of IDED's files marked "Confidential Information." If your request is approved, the original with the confidential information is not available for public inspection.
- The redacted version (confidential information blacked out) along with the Request for Confidential Treatment Form will become part of the file that is open and available to the public.

6. IDED will review the request and provide written confirmation to you of its approval or denial.

Example of Completed Request for Confidentiality Form

1. Contact Information. Provide the contact information of the person authorized to respond to any inquiry or action of IDED concerning this confidentiality request:

Name:	Major Production Film Company
Address:	1234 Major Avenue, Main Street, IA 50311
Telephone number:	515-515-5151
Email address:	majorproductions@aol.com

2. Request

- Application Section: state which section(s) of the application you want kept confidential.

Budget and in-state expenditures sections and all investor contact names and numbers.

- Legal basis for request: check one.

☐ Trade secrets [Iowa Code §22.7(3)]

☐ Reports to governmental agencies which, if released, would give advantage to competitors and serve no public purpose. [Iowa Code §22.7(6)]

☐ Communications not required by law, rule or regulation made to IDED by persons outside the government to the extent that IDED could reasonably believe that those persons would be discouraged from making them to the Department if they were made available for general public examination. [Iowa Code §22.7(18)]

☐ Other (provide legal citation e.g. reference to a state or federal law not listed above):

-
-
- Explanation for Request: state your explanation for keeping certain information confidential.

Releasing the exact amounts budgeted for "talent", "producer" "director" or other above-the-line costs would give an advantage to competitors and serve no public purpose. If our competitors knew how much of the total project budget was allocated to these categories they would be able to undercut negotiating strength otherwise present in private agreements.

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Application

3. Required Attachments Included:

- X Original and
- X Copy of the application with the confidential information blacked out.

Request for Confidential Treatment Form

1. Contact Information. Provide the contact information of the person authorized to respond to any inquiry or action of IDED concerning this confidentiality request:

Name:
Address:
Telephone number:
Email address:

2. Request

- Application Section: state which section(s) of the application you want kept confidential.
- Legal basis for request: Check one of the following.

☐ Trade secrets [Iowa Code §22.7(3)]

☐ Reports to governmental agencies which, if released, would give advantage to competitors and serve no public purpose. [Iowa Code §22.7(6)]

☐ Communications not required by law, rule or regulation made to IDED by persons outside the government to the extent that IDED could reasonably believe that those persons would be discouraged from making them to the Department if they were made available for general public examination. [Iowa Code §22.7(18)]

☐ Other (provide legal citation e.g. reference to a state or federal law not listed above):

- Explanation for Request: state your explanation for keeping certain information confidential.

Legal Entity and Tax Certification

The applicant certifies that it is a corporation, limited liability company or other legal entity in good standing, authorized to do business in Iowa and has no delinquent tax liabilities due and owing to the State of Iowa. The applicant further authorizes the Department, if it so chooses, to seek a tax clearance letter from the Iowa Department of Revenue and authorizes the Department of Revenue to provide such a letter stating whether the records of the Department show that applicant is in compliance with all tax acts administered by the Iowa Department of Revenue to which applicant is subject. The applicant also certifies that no tax liens, including but not limited to municipal, county, state or federal liens, have been filed against the entity.

Obscenity Exclusion

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Application

A project that depicts or describes any obscene material, as defined in Iowa Code section 728.1, shall not be eligible to receive assistance under this section.

Retention of and Access to Records

The applicant acknowledges that, with respect to the accredited production and the labor expenditures related thereto, it shall keep its books and records in accordance with generally accepted accounting principles, for a minimum of three (3) years from the date on which the Iowa Film Tax Credit is issued. The applicant acknowledges and agrees that all books, records and supporting documents related thereto shall be available for inspection, monitoring or audit by the Iowa Department of Economic Development, Iowa Department of Revenue or Iowa Attorney General including any of their duly authorized representatives. The applicant further agrees that it will fully cooperate with any of the auditing entities named above. Failure to maintain books, records and supporting documents shall establish a presumption in favor of the Department or the State of Iowa to refuse to redeem the Iowa Film Tax Credit, or a portion thereof, awarded under the Film Tax Credit Program for which adequate books, records and supporting documentation are not available to support the Film Tax Credit.

Contract Required

Successful applicants will be notified in writing of approval of a request for registration, including any conditions and terms of the approval. The Department will prepare a contract, which includes, but is not limited to, a description of the Project to be completed by the business; terms and conditions for receipt of tax credit benefits; and the repayment requirements or other penalties imposed in the event the recipient does not fulfill its obligations described in the contract. Projects approved under this program are limited to the descriptions and criteria stated on the application. Changes to a registered Project must be reported in writing immediately to the Iowa Film Office along with a request for contract amendment. Upon review, the Department will approve or deny the request for amendment. If the request is approved, a written contract amendment will be executed by the recipient and the Department.

Certification & Release of Information

I hereby give permission to the Iowa Department of Economic Development (IDED) to research the Business' history, make credit checks, contact the Business' financial institutions, insurance carriers, and perform other related activities necessary for reasonable evaluation of this application. I also hereby authorize the Iowa Department of Revenue to provide to IDIED state tax information pertinent to the Business' state income tax, sales and use tax, and state tax credits claimed.

I understand that certain information submitted to IDIED related to this application may be subject to Iowa's Open Record Law (Iowa Code, Chapter 22). "

"I understand this application is subject to final approval by IDIED and the Project may not be initiated until final approval is secured.

I hereby certify that all representations, warranties, or statements made or furnished to IDIED in connection with this application are true and correct in all material respect. I understand that it is a criminal violation under Iowa law to engage in deception and knowingly make, or cause to be made, directly or indirectly, a false statement in writing for the purpose of procuring economic development assistance from a state agency or subdivision."

Production Company Signature

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Application

Officer of Production Company Signature:

Printed Name:

Title:

Date Signed:

Required Attachments Included:

- ☐ Original and
☐ Copy of the application with the confidential information blacked out.

For IDED use only:

☐ Application approved

☐ Application denied

Reason for denial:

Date:

By:

Signature:

Name:

Title:

CONFIDENTIAL

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

In-Kind Expenditures E-Mails for Changing Horses Productions

From: Chad Witter
To: McNulty, Jim [IDR]
Cc: Wheeler, Tom [IDED]
Subject: RE: Changing Horses in-kind contributions
Date: Tuesday, May 06, 2008 4:33:48 PM

Hello Jim,
Thank you for your last response.

I have three specific tax credit questions from the likely buyers of a couple of these credits.

Refund of estimated payments.

Buyer purchases \$1,000,000 tax credit issued in early July 2008. The Buyer had previously made both Q1 and Q2 estimated tax payments that totaled \$1,000,000.

Can they submit that \$1,000,000 tax credit to DOR and receive a refund of their earlier estimated payments?

If so, how long will that process likely take?

Not making estimated payments in anticipation of purchasing a specific tax credit.

Lets say that Buyer has committed to purchasing a \$3,000,000 tax credit in the middle of Q3 of 2008, when it is expected to come available.

Is that tax payer required to make their estimated payments if they are anticipating purchasing a specific tax credit?

Lets say that tax credit that Buyer was anticipating purchasing was not issued to non-performance of the production company.

Once the Buyer became aware of the fact that the specific tax credit would not be available, could they then make their estimated payments to the state without penalty?

Best regards,

Chad M. Witter, CPA, ASA
Witter Consulting Group, Inc.
(563) 940-1584
(563) 326-2159 fax
cwitter@mchsi.com

From: McNulty, Jim [IDR] [<mailto:Jim.McNulty@Iowa.gov>]
Sent: Wednesday, April 30, 2008 3:07 PM
To: Wheeler, Tom [IDED]
Cc: Chad Witter
Subject: RE: Changing Horses in-kind contributions

Tom, this issue had arisen before regarding in-kind contributions, as shown in the attached notes from last fall. It is my view that these would qualify for the film expenditure credit and the income exclusion (assuming that this amount is included in federal income, which I believe it would).

Jim

-----Original Message-----

From: Wheeler, Tom [IDED]
Sent: Wednesday, April 30, 2008 2:39 PM
To: McNulty, Jim [IDR]

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development
In-Kind Expenditures E-Mails for Changing Horses Productions

Cc: 'Chad Witter'
Subject: Changing Horses in-kind contributions

Jim,

Producer Dennis Brouse with a project called "Changing Horses" has a question about in-kind contributions. The project is about training difficult horses.

One of the vendors, American Cowboy Magazine (ACM), has offered \$1M in promotional services in exchange for \$1M of sponsorship in the project. ACM will invoice Dennis for the \$1M which he will "pay" with sponsor recognition during the viewed material. ACM will be a domestic vendor.

The approximate \$1M charges are based on best estimates of fair market values.

In your opinion, would the \$1M invoiced to Dennis qualify as a project expenditure that Dennis can earn an expenditure credit on? If so, then can ACM exclude this amount from its Iowa income tax liability?

Chad Witter, CPA, is consulting with Dennis on this project. He is included in this message.

Regards,

Tom Wheeler

Manager, Iowa Film Office

200 E. Grand Ave.

Des Moines, IA 50309

p: 515.242.4726

c: 515.783.7466

f: 515.242.4718

www.traveliowa.com/film

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I agree with Mike's point that if the \$50,000 is income, the vendor could receive both a film investment credit and the reduction in income. However, if the vendor ends with an equity interest in the business through this arrangement, then the vendor does not receive the reduction in income.

In regard to the EP offering services in-kind, I think that arrangement can be allowed. The EP could not get the reduction in income since he has an equity interest in the company.

-----Original Message-----

From: Wheeler, Tom [IDED]

Sent: Thursday, September 13, 2007 8:40 AM

To: Miller, Mike [IDED]; McNulty, Jim [IDR]; Powell, Kent [IDED]

Subject: RE: Cash investment vs. in-kind contribution

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

In-Kind Expenditures E-Mails for Changing Horses Productions

This morning I have a slight variation on yesterday's question: Can an executive producer (EP) offer his or her services in-kind in exchange for a share of the company?

-----Original Message-----

From: Miller, Mike [IDED]
Sent: Thursday, September 13, 2007 8:25 AM
To: McNulty, Jim [IDR]; Wheeler, Tom [IDED]; Powell, Kent [IDED]
Subject: RE: Cash investment vs. in-kind contribution

Jim/Tom;

My point was that the vendor might be able to get both a film investment tax credit, and a "reduction of gross income" for his sale, if this transaction is allowed, and if the \$50,000 is considered to be income.....

Mike

-----Original Message-----

From: McNulty, Jim [IDR]
Sent: Thursday, September 13, 2007 8:18 AM
To: Miller, Mike [IDED]; Wheeler, Tom [IDED]; Powell, Kent [IDED]
Subject: RE: Cash investment vs. in-kind contribution

It seems to me that the \$50,000 would have to be reported as income, and it would be a qualified cost. However, the vendor could not get both a film investment credit and the qualified expenditure tax credit for the same \$50,000.

Jim

-----Original Message-----

From: Miller, Mike [IDED]
Sent: Wednesday, September 12, 2007 4:02 PM
To: Wheeler, Tom [IDED]; Powell, Kent [IDED]; McNulty, Jim [IDR]
Subject: RE: Cash investment vs. in-kind contribution

I imagine they can do that if both parties agree to it. I would think the real questions then would be:

- 1) Would you (Tom) count that as a qualified cost within the state for the producer?, and
- 2) Is the \$50,000 then income to the vendor, in which case they would owe income tax on it.....(and then the vendor might also ask for the tax credit relating to in-state sales to the film production).

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development
In-Kind Expenditures E-Mails for Changing Horses Productions

Sound like questions mostly for Mr. McNulty.....

Mike

-----Original Message-----

From: Wheeler, Tom [IDED]

Sent: Wednesday, September 12, 2007 3:21 PM

To: Miller, Mike [IDED]; Powell, Kent [IDED]; McNulty, Jim [IDR]

Subject: Cash investment vs. in-kind contribution

Mike, Kent and Jim,

Another question has come up. This time it deals with direct cash investments into a film project vs. in-kind contributions to a project.

For example, a project intends to rent a local package of equipment that would cost \$50k. Can the equipment owner provide the equipment free of charge in exchange for a \$50k stake in the project?

Regards,

Tom Wheeler

Manager, Iowa Film Office

200 E. Grand Ave.

Des Moines, IA 50309

p: 515.242.4726

f: 515.242.4718

www.traveliowa.com/film

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**Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development**

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Verification of In-Kind Expenditures for Changing Horses Productions



March 17, 2010

Jeffrey S. Thompson
Deputy Attorney General
Department of Justice
Hoover Building
Des Moines, IA 50319

Re: Changing Horses Productions, Inc.

Dear Mr. Thompson,

Following our phone call, we compiled information on actual services we have delivered to Changing Horse Productions through our barter arrangement. That information is attached. We do not generally associate a monetary value to the deliverables in barter agreements as it can be more speculative than substantive. Overall, we look for positive outcomes for the amount of time and services exchanged.

You also asked about the process we went through to establish our mutual commitment with CHP. I was contacted in September 2007 by Gene Kinsella on behalf of CHP about donating use of a Featherlite trailer for the Changing Horses (now *Saddle Up with Dennis Brouse*) television program. Featherlite would obtain visibility on the PBS program, among other media benefits, in exchange. Over the course of a full 12 months, the agreement and the contours of the relationship changed a number of times until the first barter agreement for services was signed, which you have. In all we have entered into four similar agreements with *Saddle Up*, one each for Season One, Season Two, Season Three and History of the Horse that is yet to be completed and aired. During this process besides working with Mr. Kinsella, we worked with Chad Witter of Witter Consulting, Dennis Brouse and Mindfire, a Quad Cities advertising agency.

We are pleased to be working with *Saddle Up with Dennis Brouse*. Both parties work hard to make the relationship fruitful.

Sincerely,

A handwritten signature in black ink, appearing to read "John K. Hall".

John K. Hall
Director of Corporate Communications

SALES DEPARTMENT

563.547.6000
toll free: 800.800.1230

fax: 563.547.6100
www.fthr.com

Hwy. 63 & 9, P.O. Box 320
Cresco, IA 52136

BY UNIVERSAL TRAILER

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Verification of In-Kind Expenditures for Changing Horses Productions

Ambrozic, Jane [AG]

From: Thompson, Jeffrey [AG]
Sent: Wednesday, March 31, 2010 9:45 AM
To: Ambrozic, Jane [AG]
Subject: FW: Changing Horses Productions, Inc.

Print please

From: Jennifer Hancock [mailto:JHancock@aqha.org]
Sent: Wednesday, February 24, 2010 11:39 AM
To: Thompson, Jeffrey [AG]
Subject: Changing Horses Productions, Inc.

Mr. Thompson:

Hi! I received a letter from you regarding Changing Horses Productions, Inc. I called and left a message at your office on Monday, February 22. I tried calling again today and got your voice mail again so I thought I would try e-mail.

AQHA looked into a sponsorship with History of the Horse (the title of the series that Changing Horses Productions, Inc. was working on) last year, but after our attorney reviewed the contract we did not sign it. We do not have any agreements with the company and are not involved with them in any way. I will be happy to discuss further if you need more information. Thanks! – Jennifer Hancock

Jennifer K. Hancock
Director of Marketing
The American Quarter Horse Association
P.O. Box 200
Amarillo, Texas 79168
(806) 376-4888 Ext. 4718
www.aqha.com

The Art of the Western Saddle is a unique exhibit featuring 16 glorious examples of the saddlemaker's art at the American Quarter Horse Hall of Fame & Museum – now through July 31. For more information, visit www.aqhhalloffame.com or call (806) 376-5181.

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3/31/2010

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Verification of In-Kind Expenditures for Changing Horses Productions

From: "Henderson, Jennifer - Jennifer_Henderson@cargill.com"
<Jennifer_Henderson@cargill.com>
To: "Henderson, Jennifer - Jennifer_Henderson@cargill.com" <Jennifer_Henders...>
Date: 8/6/2010 1:02 PM
Subject: FW: Cargill, Incorporated - Re: Changing Horses Productions, Inc.
Attachments: 1115_001.pdf

From: Pearson, Jill - Jill_Pearson@cargill.com
Sent: Friday, March 19, 2010 4:30 PM
To: 'jeffrey.thompson@iowa.gov'
Subject: Cargill, Incorporated - Re: Changing Horses Productions, Inc.

Dear Mr. Thompson:

I am writing in response to your February 11, 2010 correspondence, and in follow-up to your recent conversation with my colleague, Jennifer Henderson, regarding the above-referenced entity. It is my understanding that you are reviewing files related to Iowa Film Program Tax Credits, and that you would like to know whether we finalized and executed a contract with said entity.

Please be advised that we do not have evidence that a contract for the services in question was ever finalized and executed. The most recent version of the contract was signed by Cargill on December 11, 2009 and sent to the counterparty for counter-signature (copy attached), but a fully executed version has not been returned to us as was requested. Moreover, you will note that the entity name on the attached contract signed by Cargill is "Cowboy Productions, Inc." rather than "Changing Horses Productions, Inc.". This change was made at the direction of the agent handling this matter for the counterparty. The version of the agreement enclosed with your February 11 correspondence appears to be from an earlier time in the negotiations, before the name change, and was never signed by Cargill.

I hope this information is helpful to you as you proceed with your review. If you have any further questions or concerns, please feel free to contact me.

Regards,

Jill
Jill K. Pearson, Lawyer
Cargill Law Department
15407 McGinty Road West, MS 24
Wayzata, MN 55391
Phone: (952) 742-2296
Fax: (952) 249-4321
jill_pearson@cargill.com

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file:///C:/Documents and Settings/JCunning/Local Settings/Temp/XPgrpwise/4C5C14CBAO... 8/9/2010

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Changing Horses Productions' Project Funding

Witter Consulting Group, Inc.

Proposal Summary:

Changing Horses LLC is a company built around Dennis Brouse and his horse training techniques. He has filmed training videos and had a training series that aired on RFD TV. PBS has expressed a strong interest in a series based upon Dennis Brouse showing his horse training techniques, trail riding and other equestrian entertainment issues. This series will be of a much higher quality than the lower production value that plays on RFD TV. These earlier programs will serve as a blueprint for the new project.

The PBS series will be the platform to build the Changing Horses brand around Dennis Brouse's horse training techniques. Changing Horses will be selling horse training videos, newsletters, equestrian products and education materials, etc. Rick Steve's and Suze Orman, both launched their careers in a similar fashion. Now they both have well established brands.

Changing Horses Productions, LLC (CHP), an Iowa entity, is 100% owned by Changing Horses, LLC (CH), a Nebraska entity. CHP will take out a \$500,000 line of credit (LOC) from US Bank to finance 5 training videos and a 13 episode series for PBS that is expected to begin airing in January 2009. Both projects will be shot in Iowa and qualify for the Iowa Film Tax Credit.

CHP will spend approximately \$400,000 of the line of credit to acquire vehicles and horses and film the training videos. Filming of the training videos is expected to be completed in mid to late 2008. Presently three strategic vendors, American Cowboy Magazine, Gold Buckle News and the Horse Connection, have been secured. Each vendor has agreed to provide approximately \$1,000,000 in verifiable value. CH is selling the sponsorship rights to training videos and 13 episodes to these strategic vendors for these marketing contracts.

The Iowa Film Office and Department of Revenue have both stated that this exchange of value will be eligible for the Iowa Film Tax Credit. See the attached letter to the Iowa Film Office dated 5/15/2008. Near the end of June CHP will submit its production accounting for the training videos for approximately \$500,000. This should generate approximately \$1,650,000 in Iowa Film Tax Credits. Half will be granted to CHP and the other half will be granted to the investors. Investors will assign their tax credits back to CHP where the total amount of credits will be sold. CHP expects to net 90% of the tax credit amount (\$1,485,000). The LOC will be paid off but kept open until it is needed again at the end of production of the 13 episode series.

The proceeds of the sale of the training video tax credits will be used to finance the 13 episode series for PBS. The filming of these episodes is expected to last into late August. The cash and LOC will be used to complete the episodes and begin the marketing blitz for the launch of the series.

Once all the qualifying expenditures related to the 13 episodes have been met, CHP will wrap up its final production accounting and a second tax credit will be received. Presently several candidates are in discussion for a fourth strategic vendor spot. This final strategic vendor will enter into a \$1,000,000 marketing contract for the final sponsorship position. Taking this \$1,000,000 and the \$1,500,000 that will be spent on the 13 episode production and marketing will give CHP \$2,500,000 in qualifying tax credit expenditures. Again the investors will assign

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

Changing Horses Productions' Project Funding

Witter Consulting Group, Inc.

their tax credit back to CHP who will sell them for cash. CHP should net about \$1,100,000 from the sale of the last tax credit.

The final \$1,100,000 in tax credits will be used to pay off any balance on the LOC, and pay the investors a success fee of 30% of the amount that they guaranteed on the LOC. The balance of any remaining cash will be used to develop other Changing Horses equestrian products.

Investor Summary:

CHP is seeking investors to enter into limited personal guarantees for the \$500,000 LOC discussed above. \$100,000 of the line has already been spoken for, by Chad Witter. Chad will be brokering the tax credits and is in regular contact with Tom Wheeler, the Director of the Iowa Film Office. Chad will be assisting the production as it enters into its various contracts and will be managing accounting for the tax credit submissions to the State. ~~He will also have control over the line of credit proceeds and be the only person with check writing authority.~~

The investors will receive a 30% success fee for the amount that they guarantee on the LOC. For example, for an investor to enter into a limited guarantee of \$100,000 he would receive \$30,000 when the LOC is closed, which is expected to occur in October.

Collateral in case it all blows up somehow would be a controlling equity stake in CH. CH developed a PPM that valued this opportunity around \$5,000,000. CH will be receiving more than \$4 million in advertising from the strategic vendors. The projected financial results are significant.

Primary Risks:

The primary risk is that the Iowa Film Office does not issue the tax credit. See the attached letter sent by Chad Witter to Tom Wheeler. The attached letter formalizes numerous conversations between Dennis Brouse, Chad Witter and the Film Office. Chad has requested assurances in writing from the Film Office that if certain procedures are followed, a tax credit will be issued. This has been confirmed orally and a signed letter is expected to be received on May 7, 2008. Tom Wheeler is available to answer any questions that any potential investors might have.

Another primary risk is that ~~something happens to Dennis Brouse prior to completion~~ of the training videos, which is expected to be completed by June 15, 2008. After that date, the LOC should be fully collateralized by tax credits. The second project will have ample cash from the sale of the first tax credit and when that cash has been spent, the amount of cash that will have been spent would qualify for more than enough of the second tax credit to pay off the LOC and the investors return.

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

E-mail – Budget and Estimates

Wheeler, Tom [IDED]

From: Bookkeeper Phil [bookkeepinphil@yahoo.ca]
Sent: Wednesday, January 07, 2009 10:53 AM
To: Wheeler, Tom [IDED]
Subject: RE: Request to Amend Ticket Out Tax Estimate Calcs
Attachments: image001.jpg; TO_Budget_Jan5-09_DL_TW_TS.pdf

Tom,
We are making a presentation to a bank and the Iowa tax credit is part of the package. Our budget has increased and we feel that the tax credit may increase. In that context would we be able to have an amended indication/contract?

Please advise,

Phil Doerksen
Supervising Producer
Ticket Out

--- On Wed, 1/7/09, Wheeler, Tom [IDED] <Tom.Wheeler@iowalifechanging.com> wrote:

From: Wheeler, Tom [IDED] <Tom.Wheeler@iowalifechanging.com>
Subject: RE: Request to Amend Ticket Out Tax Estimate Calcs
To: "bookkeepinphil@yahoo.ca" <bookkeepinphil@yahoo.ca>
Received: Wednesday, January 7, 2009, 11:41 AM

Phil,

Thanks and happy New Year to you, too.

Regarding the budget revisions, no formal changes are necessary in either the application or contract. Figures provided at that time are known to be best estimates and you are not limited by them when they either decrease or increase. The value of your respective certificates will be based on the final, actual spending amount and not on the initial estimates.

Having said that, I would like to have a copy of the revised budget on file here. Either top sheet of full budget is fine.

Tom.

From: Bookkeeper Phil [mailto:bookkeepinphil@yahoo.ca]
Sent: Wednesday, January 07, 2009 10:37 AM

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

E-mail – Budget and Estimates

To: Wheeler, Tom [IDED]
Subject: Request to Amend Ticket Out Tax Estimate Calcs

Hi Tom,

Happy New Year and all the best in 2009.


Over the holiday season, Doug and Rhonda etc have revised the budget. We request to amend the tax credit estimate from Iowa. Assuming you are willing to revise the Iowa tax credit, what specifically do you need Budget Topsheet or more details?


Anything else?

Phil Doerksen

Supervising Productions

Ticket Out

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Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

E-mail – Budget and Estimates

Ticket Out										Page 1
IOWA COSTS - BUDGET										
Detail										
Ticket Out Productions		Run Date/Time: 4/28/2009 9:47:54 PM		Next Period: 20081220						
Currency: US		Ignore Zero Costs, Include Commitments		Currency Conversion: Native						
Locations: 01 Details: ALL Sets: ALL										
Account	Description	Actuals This Period	Actuals To Date	POs	To Date Total	Estimate To Complete	Estimated Final Cost	Total Budget	Variance (Over)/Under	
Above The Line										
11 00	STORY, RIGHTS & CONTINUITY	0	396	0	396	0	396	500	104	
11 06 01	SCRIPT DUPLICATION	0	2,535	2,465	5,000	0	5,000	5,000	0	
11 85 01	SCRIPT CLEARANCES	0	2,535	2,465	5,396	0	5,396	5,500	104	
Totals		0	2,931	2,465	5,396	0	5,396	5,500	104	
12 00	PRODUCERS UNIT	0	20,418	0	20,418	0	20,418	20,000	(418)	
12 02 01	PRODUCER - K.DEWAL	0	53,100	100,400	153,500	0	153,500	153,500	0	
12 03 01	DIRECTOR	0	126,900	0	126,900	0	126,900	125,000	(1,900)	
12 04 01	JOCELYN	0	47,426	0	47,426	0	47,426	5,000	(42,426)	
12 85 01	PRODUCER EXPENSES	0	18,500	23,000	41,500	0	41,500	59,854	18,354	
12 99 99	ATL - FRINGES	0	266,344	123,400	389,744	0	389,744	363,354	(26,390)	
Totals		0	269,275	125,865	395,140	0	395,140	368,854	(26,286)	
Above The Line										
Below The Line										
13 00	CASTING EXPENSES	0	75,000	0	75,000	0	75,000	165,000	90,000	
13 04 01	US CASTING DIRECTOR	0	11,225	0	11,225	0	11,225	19,350	8,125	
13 04 02	REGIONAL CASTING -	0	10,500	0	10,500	0	10,500	10,000	(500)	
13 04 03	IA CASTING - D.COP	1,500	3,305	0	3,305	0	3,305	5,000	1,695	
13 04 16	CASTING EXPENSES	0	3,000	0	3,000	0	3,000	2,000	(1,000)	
13 10 01	CASTING STAFF	0	1,170	0	1,170	0	1,170	3,000	1,830	
13 85 01	DIRECTOR EXPENSES	0	12	0	12	0	12	2,500	2,488	
13 86 01	CASTING EXPENSES -	0	0	0	0	0	0	1,500	1,500	
13 86 02	CASTING EXPENSES -	1,500	104,212	0	104,212	0	104,211	208,350	104,139	
Totals		1,500	104,212	0	104,212	0	104,211	208,350	104,139	
14 00	CAST	0	60	0	60	0	60	0	(60)	
14 01 01	JOCELYN	0	149,805	0	149,805	0	149,805	215,000	65,195	
14 02 02	DENNIS	0	65,000	0	65,000	0	65,000	130,000	65,000	
14 02 03	MILLER	0	30,849	0	30,849	0	30,849	32,560	1,711	
14 02 05	DJ -	0	20,150	0	20,150	0	20,150	22,859	2,709	
14 02 06	MARY SUE -	0	30,950	0	30,950	0	30,950	18,150	(12,800)	
14 02 07	KEMP -	0	30,950	0	30,950	0	30,950	18,150	(12,800)	
14 02 08	DALRYMPLE	0	6,140	0	6,140	0	6,140	25,000	1,000	
14 02 09	RILEY -	0	37,500	0	37,500	0	37,500	30,250	(7,250)	
14 02 10	THOMPSON -	0	30,485	0	30,485	0	30,485	14,850	(15,635)	
14 02 11	DANVERS -	0	7,869	0	7,869	0	7,869	4,503	(3,366)	
14 02 12	MAY -	0	2,897	0	2,897	0	2,897	3,572	675	
14 02 13	LUCILLE -	0	3,100	0	3,100	0	3,100	2,851	(249)	
14 02 14	EMMA -	0	0	0	0	0	0	13,196	13,196	
14 02 15	MILLIE -	0	0	0	0	0	0	2,981	2,981	
14 02 85	REHEARSALS -	0	1,023	0	1,023	0	1,023	994	(29)	
14 03 16	CONSUSLO	0	3,937	0	3,937	0	3,937	1,987	(1,950)	
14 03 17	TOOP -	0	3,520	0	3,520	0	3,520	2,981	(539)	
14 03 18	PILOT	0	6,878	0	6,878	0	6,878	2,981	(3,897)	
14 03 19	LARRAINE -	0	2,634	0	2,634	0	2,634	2,981	347	
14 03 20	BUDGET HOTEL COP -	0	1,398	0	1,398	0	1,398	994	(404)	
14 03 21	ELLEN -	0	3,597	0	3,597	0	3,597	994	(2,603)	
14 03 22	HOWIE -	0	2,897	0	2,897	0	2,897	2,981	84	
14 03 23	RUSTY -	0	12,336	0	12,336	0	12,336	25,875	13,539	
14 03 24	ABE -	0	0	0	0	0	0	2,981	2,981	
14 03 25	LEVI -	0	0	0	0	0	0	3,974	3,974	
14 03 26	CARL -	0	835	0	835	0	835	1,987	1,152	
14 03 27	BANK SECURITY GUAR	0	0	0	0	0	0	2,981	2,981	
14 03 28	CARTWRIGHT -	0	0	0	0	0	0	994	994	
14 03 29	MAISIE -	0	0	0	0	0	0	994	994	
14 03 30	NEWS ANCHOR -	0	1,357	0	1,357	0	1,357	994	(363)	
14 03 31	BUDGET HOTEL MAID	0	3,200	0	3,200	0	3,200	994	(2,206)	
14 03 32	JOCELYN'S LAWYER -	0	3,340	0	3,340	0	3,340	994	(2,346)	
14 03 33	ZEKE -	0	0	0	0	0	0	994	994	
14 03 34	CORP CHURCHMAN -	0	3,207	0	3,207	0	3,207	994	(2,213)	
14 03 35	BANK TELLER -	0	0	0	0	0	0	1,987	1,987	
14 03 36	GAS STATION ATTINT	0	960	0	960	0	960	994	34	
14 03 37	SODA JERK -	0	0	0	0	0	0	994	994	
14 03 38	NEWS CASTER -	0	0	0	0	0	0	994	994	
14 03 39	PREACHER -	0	0	0	0	0	0	994	994	

To not correct, witnessed, 04/21/09, pdf

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

E-mail - Budget and Estimates

Ticket Out									
IOWA COSTS - BUDGET									
Detail									
Ignore Zero Costs, Include Commitments									
Ticket Out Productions									
Currency: US									
Locations: 01 Details: ALL Sets: ALL									
Run Date/Time: 4/28/2009 9:47:54 PM									
Next Period: 20081220									
Currency Conversion: Native									
Account	Description	Actuals This Period	Actuals To Date	POs	To Date Total	Estimate To Complete	Estimated Final Cost	Total Budget	Variance (Over)/Under
14 03 40	REV. APPLETON -	0	2,919	0	2,919	0	2,919	994	(1,925)
14 03 41	NURSE -	0	1,837	0	1,837	0	1,837	994	(843)
14 03 42	NEIGHBORHOOD KID -	0	939	0	939	0	939	994	55
14 03 43	JUDGE WALKER -	0	3,820	0	3,820	0	3,820	994	(2,826)
14 03 44	ESTHER -	0	0	0	0	0	0	1,987	1,987
14 03 45	PAWN SHOP OWNER -	0	835	0	835	0	835	994	159
14 03 46	PASTRY GIRL -	0	0	0	0	0	0	994	994
14 03 47	MRS TOOP -	0	0	0	0	0	0	994	994
14 03 50	LAWYER -	0	0	0	0	0	0	994	994
14 03 51	GAS STATION COP -	0	0	0	0	0	0	994	994
14 03 52	WALTER -	0	2,277	0	2,277	0	2,277	994	(1,283)
14 03 85	TRAVEL DAYS TO IA	0	7,517	0	7,517	0	7,517	9,925	2,408
14 04 01	JIM DBL -	0	19,251	0	19,251	0	19,251	18,744	(507)
14 04 02	JOCelyn DBL -	0	19,974	0	19,974	0	19,974	27,500	7,526
14 04 03	DENNIS DBL -	0	23,796	0	23,796	0	23,796	2,118	(21,678)
14 04 04	DJ DBL -	0	19,626	0	19,626	0	19,626	2,118	(17,508)
14 04 05	MARY SUE DBL -	0	0	0	0	0	0	2,118	2,118
14 04 06	BUDGET HOTEL COP	0	60	0	60	0	60	0	(60)
14 04 28	CARTWRIGHT DBL -	0	4,019	0	4,019	0	4,019	1,059	(2,960)
14 04 85	UTILITY STUNTS/DRI	0	35,385	0	35,385	0	35,385	4,235	(31,150)
14 04 90	STUNT ADJUSTMENTS	0	8,421	0	8,421	0	8,421	3,500	(4,921)
14 06 01	LOOPING	0	0	0	0	0	0	13,000	13,000
14 11 01	STUNT COORD -	0	75,126	0	75,126	0	75,126	43,194	(31,932)
14 50 01	STUNT EQUIPMENT	0	12,079	0	12,079	0	12,079	5,000	(7,079)
14 85 01	CAST DRESSING RM S	0	721	0	721	0	721	2,000	1,279
Totals		0	729,475	0	729,475	0	729,475	756,699	27,224
15 00	TRAVEL & LIVING COSTS								
15 07 03	PRODUCER AIRFARES	1,334	13,728	22,671	36,399	0	36,400	31,400	(5,000)
15 08 04	PRODUCER HOTEL	0	4,325	5,680	10,005	0	10,005	5,005	(5,000)
15 08 05	PRODUCER PER DIEM	0	7,100	5,000	12,100	0	12,100	9,100	(3,000)
15 09 03	DIRECTOR AIRFARE -	0	2,726	5,994	8,720	0	8,720	5,720	(3,000)
15 10 04	DIRECTOR HOTEL - L	0	12,437	5,000	17,437	0	17,437	10,466	(6,971)
15 10 05	DIRECTOR PER DIEM	0	6,600	3,520	10,120	0	10,120	8,120	(2,000)
15 11 03	CAST AIR FARES	0	77,726	0	77,726	0	77,726	65,200	(12,526)
15 12 04	CAST HOTEL	0	43,172	0	43,172	0	43,172	68,682	25,510
15 12 05	CAST PER DIEM	0	56,603	0	56,603	0	56,603	58,933	2,331
15 85 01	ATL TAXIS/CAR PICK	0	11,937	0	11,937	0	11,937	6,200	(5,737)
15 90 01	CAST PERKS	0	4,535	0	4,535	0	4,535	0	(4,535)
15 90 01 01	SET (01) - CAST	0	153	0	153	0	153	0	(153)
Totals		1,334	241,041	47,865	288,906	0	288,906	268,826	(20,080)
19 00	TOTAL FRINGES	0	0	0	0	0	0	0	0
19 99 99	ATL FRINGE	0	0	0	0	0	0	0	0
Totals		0	0	0	0	0	0	0	0
20 00	PRODUCTION STAFF								
20 01 01	LINE PRODUCER - S.	0	38,921	0	38,921	0	38,921	48,000	9,079
20 01 02	UPM - STEVE BROWN	0	63,482	0	63,482	0	63,482	78,000	14,518
20 01 03	ASST UPM CD -	0	1,307	0	1,307	0	1,307	1,600	293
20 02 01	SUPERVISING PRODUC	15,714	85,528	872	86,400	0	86,400	86,400	0
20 02 01 01	SET (01) - SUPER	0	-400	0	-400	0	-400	0	400
20 03 01	1ST AD A. KEIRNEN	0	15,109	0	15,109	0	15,109	14,800	(309)
20 03 02	1ST AD - M.ZIMBRIC	0	76,301	0	76,301	0	76,301	66,022	(10,279)
20 04 01	2ND AD - K.CHAPLIN	0	14,208	0	14,208	0	14,208	8,288	(5,920)
20 04 02	2ND AD - K.CHAPLIN	0	42,361	0	42,361	0	42,361	44,186	1,825
20 05 01	3RD AD -	0	41,442	0	41,442	0	41,442	29,368	(12,074)
20 06 01	SCRIPT SUPERVISOR	0	17,533	0	17,533	0	17,533	17,265	(268)
20 07 01	LOC MANAGER - M.MA	0	36,007	0	36,007	0	36,007	40,840	4,833
20 07 02	LOC SCOUT - JD WOL	0	17,825	0	17,825	0	17,825	17,100	(725)
20 07 03	LOC PA - DORRANCE	0	10,000	0	10,000	0	10,000	8,500	(1,500)
20 07 04	LOCATION PA#2	0	8,224	0	8,224	0	8,224	8,438	214
20 07 05	LOCATION PA #3	0	14,069	0	14,069	0	14,069	6,200	(7,869)
20 07 06	LOCATION PA	0	0	0	0	0	0	4,200	4,200
20 08 01	CREATIVE CONSULT -	50,000	50,000	50,000	100,000	0	100,000	100,000	0
20 08 02	CREATIVE CONSULT -	11,000	125,862	0	125,862	0	125,862	125,000	(862)
20 08 03	CREATIVE PRODUCER	50,000	50,000	70,000	120,000	0	120,000	120,000	0
20 08 04	SCRIPT CONSULTANT	0	20,000	0	20,000	0	20,000	10,000	(10,000)
20 08 05	PROD CONSULTANT -	0	4,000	0	4,000	0	4,000	0	(4,000)

Appendix 11

Report on Special Investigation of the Film, Television and Video Project Production Program Administered by the Department of Economic Development

E-mail - Budget and Estimates

Ticket Out									
IOWA COSTS - BUDGET									
Detail									
Ignore Zero Costs, Include Commitments									
Ticket Out Productions									
Currency: US									
Locations: 01 Details: ALL Sets: ALL									
Run Date/Time: 4/28/2009 9:47:54 PM									
Next Period: 20081220									
Currency Conversion: Native									
Account	Description	Actuals This Period	Actuals To Date	POs	To Date Total	Estimate To Complete	Estimated Final Cost	Total Budget	Variance (Over)/Under
20 09 01	POC - PAM SIMMONS	1	24,152	0	24,152	0	24,152	25,760	1,608
20 10 01	APOC -	0	10,710	14,410	25,120	0	25,120	25,120	0
20 10 05	PRODUCTION CONSULT.	0	8,850	0	8,850	0	8,850	3,950	(4,900)
20 11 01	SECRETARY - J.MANN	0	16,901	0	16,901	0	16,901	12,960	(3,941)
20 11 02	OFFICE PA#1 - A.JEE	0	8,561	0	8,561	0	8,561	9,423	862
20 11 03	OFFICE PA#2 -	0	8,008	0	8,008	0	8,008	6,867	(1,141)
20 11 04	KEY SET PA -	0	13,700	0	13,700	0	13,700	15,136	1,436
20 11 05	SET PA#2 -	0	1,738	0	1,738	0	1,738	3,010	1,272
20 11 06	SET PA#3 -	0	947	0	947	0	947	4,401	3,454
20 11 07	ADD'L PA'S	0	25,650	0	25,650	0	25,650	21,168	(4,482)
20 11 09	SHEREE	0	0	0	0	0	0	1,028	1,028
20 12 01	DIRECTORS ASST - H	0	18,154	0	18,154	0	18,154	12,449	(5,705)
20 12 02	CD PROD. ASST	0	4,962	0	4,962	0	4,962	5,400	438
20 20 01	PROD ACCT - SHARI	0	79,150	0	79,150	0	79,150	59,900	(19,250)
20 21 01	1ST ASST ACCT - BR	0	47,804	0	47,804	0	47,804	38,829	(8,975)
20 22 01	PAYROLL ACCT -	2,909	14,028	0	14,028	0	14,028	25,872	11,844
20 22 02	DISPARATE BOOK KEE	0	7,133	0	7,133	0	7,133	5,200	(1,933)
20 25 05	TEACHER #1 DJ -	0	14,146	0	14,146	0	14,146	14,267	121
20 25 85	ADD'L TEACHERS	0	0	0	0	0	0	1,947	1,947
20 77 01	BOX RNTL - D.D.	0	2,184	0	2,184	0	2,184	2,520	336
20 77 03	BOX RNTL - 1ST AD	0	1,008	0	1,008	0	1,008	2,550	1,542
20 77 04	BOX RNTL - 2ND AD	0	1,430	0	1,430	0	1,430	430	(1,000)
20 77 06	BOX RNTL - SCRIPT	0	345	0	345	0	345	495	150
20 77 07	ASST LOCATIONS MAN.	0	50	0	50	0	50	530	480
20 77 09	BOX RNTL - POC -	0	0	0	0	0	0	1,000	1,000
20 77 10	BOX RNTL - IA POC	0	0	0	0	0	0	450	450
20 77 11	BOX RNTL - SECRETA	0	1,240	0	1,240	0	1,240	1,860	620
20 77 20	BOX RNTL - ACCT &	0	4,766	0	4,766	0	4,766	3,100	(1,666)
20 77 85	BOX RNTL - OTHER A.	210	10,570	0	10,570	0	10,570	1,660	(9,610)
20 85 01	PRELIM BOARD & BUD	0	653	0	653	0	653	800	147
Totals		130,834	1,058,618	135,292	1,193,900	1	1,193,901	1,141,689	(52,212)
21 00	EXTRA TALENT	0	2,625	0	2,625	0	2,625	5,635	3,010
21 01 01	JIM STAND IN -	0	5,576	0	5,576	0	5,576	6,860	1,284
21 01 02	JOCELYN STAND IN -	0	1,522	0	1,522	0	1,522	5,635	4,113
21 01 03	DENNIS STAND IN -	0	0	0	0	0	0	5,635	5,635
21 01 04	MILLER STAND IN -	0	37,365	0	37,365	0	37,365	27,525	(9,840)
21 01 85	NON UNION EXTRAS	0	0	0	0	0	0	1,000	1,000
21 03 01	SIDELINE MUSICIANS	0	0	0	0	0	0	2,500	2,500
21 16 01	ATMOSPHERE CARS	0	7,500	0	7,500	0	7,500	9,450	1,950
21 21 01	IA EXTRAS CASTING	0	30	0	30	0	30	1,000	970
21 85 01	EXTRAS DRIVE TO MO.	0	54,618	0	54,618	0	54,618	65,240	10,622
Totals		0	54,618	0	54,618	0	54,618	65,240	10,622
22 00	SET DESIGN	0	43,774	0	43,774	0	43,774	52,840	9,066
22 01 01	PROD DESIGNER - HU	0	22,613	0	22,613	0	22,613	23,040	427
22 03 01	GRAPHIC DESIGNER -	0	7,755	0	7,755	0	7,755	7,500	(255)
22 04 01	STORY BOARD ARTIST	0	4,183	0	4,183	0	4,183	4,980	797
22 06 01	ASST ART DIRECTOR	0	9,731	0	9,731	0	9,731	11,900	2,169
22 09 01	ART DEPT COORD -	0	5,600	0	5,600	0	5,600	10,710	5,110
22 09 02	ART DEPT PA	0	1,920	0	1,920	0	1,920	4,500	2,580
22 16 01	ART OPC SUPPLIES	0	518	0	518	0	518	1,200	682
22 31 01	RESEARCH (SET DEST)	0	30	0	30	0	30	0	(30)
22 77 01	BOX RNTL - PROD DE	0	1,176	0	1,176	0	1,176	2,040	864
22 77 03	BOX RNTL - GRAPHIC	0	422	0	422	0	422	730	308
22 77 09	BOX RNTL ART DEPT	0	0	0	0	0	0	2,000	2,000
22 78 03	ART DIRECTOR CAR	0	0	0	0	0	0	1,750	1,750
22 78 06	ASST ART DIRECTOR	0	0	0	0	0	0	400	400
22 85 01	BLUE PRINT MACHINE	0	97,722	0	97,722	0	97,722	122,590	24,868
Totals		0	97,722	0	97,722	0	97,722	122,590	24,868
23 00	SET CONSTRUCTION	0	4,488	0	4,488	0	4,488	10,911	6,423
23 02 01	CONSTRUCTION FOREM	0	102,039	0	102,039	0	102,039	135,740	33,701
23 10 01	SET BUILD LABOR	0	39,908	0	39,908	0	39,908	52,200	12,292
23 11 01	SET BUILD PURCHASE	0	1,618	0	1,618	0	1,618	2,500	882
23 15 01	HEAVY EQUIP RTL	0	0	0	0	0	0	10,000	10,000
23 20 01	CONST SHOP/SET DRE.	0	0	0	0	0	0	2,500	2,500
23 22 01	GREENS	0	726	0	726	0	726	1,500	774
23 25 01	SCAFFOLDING RTL	0	0	0	0	0	0	0	0

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Film, Television and Video Project Production Program
Administered by the Department of Economic Development

E-mail - Budget and Estimates

Ticket Out									
IOWA COSTS - BUDGET									
Detail									
Ignore Zero Costs, Include Commitments									
Currency Conversion: Native									
Ticket Out Productions									
Currency: US									
Locations: 01 Details: ALL Sets: ALL									
Account	Description	Actuals This Period	Actuals To Date	POs	To Date Total	Estimate To Complete	Estimated Final Cost	Total Budget	Variance (Over)/Under
23 77 01	BOX RNTL - CONST C	0	3,500	0	3,500	0	3,500	2,100	(1,400)
23 77 02	BOX RNTL - PAINT P	0	3,850	0	3,850	0	3,850	1,500	(2,350)
23 77 03	BOX RNTL - CONST M	0	0	0	0	0	0	375	375
23 78 01	CAR ALLOWANCE - CO	0	0	0	0	0	0	750	750
Totals		0	156,129	0	156,129	0	156,130	220,076	63,946
24 00	SET STRIKING	0	0	0	0	0	0	900	900
24 16 01	STRIKING MATERIALS	0	0	0	0	0	0	1,000	1,000
24 85 01	EQUIP/DUMPSTER RTL	0	0	0	0	0	0	1,900	1,900
Totals		0	0	0	0	0	0	1,900	1,900
25 00	SET OPERATIONS	0	18,528	0	18,528	0	18,528	17,976	(552)
25 01 01	KEY GRIP -	0	14,662	0	14,662	0	14,662	15,256	594
25 02 01	BEST BOY GRIP -	0	15,627	0	15,627	0	15,627	11,834	(3,793)
25 02 02	DOLLY GRIP -	0	0	0	0	0	0	6,128	6,128
25 02 03	B-CAM DOLLY GRIP -	0	0	0	0	0	0	13,902	13,902
25 03 01	GRIP #1	0	9,197	0	9,197	0	9,197	13,902	10,241
25 03 02	GRIP #2	0	3,661	0	3,661	0	3,661	12,220	(13,545)
25 03 03	ADD'L GRIP LABOR	0	25,765	0	25,765	0	25,765	15,683	(1,867)
25 08 01	CRFT SVC PERSON	0	17,550	0	17,550	0	17,550	7,779	(3,870)
25 08 02	CRFT SVC PA	0	11,649	0	11,649	0	11,649	6,480	(5,169)
25 13 01	KEY RIG GRIP	0	0	0	0	0	0	5,858	5,858
25 13 02	BEST BOY RIG GRIP	0	0	0	0	0	0	3,962	3,962
25 13 03	RIGGING GRIP #1	0	0	0	0	0	0	3,962	3,962
25 13 04	RIGGING GRIP #2	0	0	0	0	0	0	11,200	5,914
25 16 01	GRIP EXPENDABLES	0	5,286	0	5,286	0	5,286	14,000	671
25 16 02	CRAPT SERVICE PURC.	0	13,329	0	13,329	0	13,329	20,160	(7,174)
25 17 01	GRIP PACKAGE RENTA	0	27,334	0	27,334	0	27,334	18,000	(9,312)
25 17 02	CONDORS/LIFT RENTA	0	9,088	0	9,088	0	9,088	11,520	7,222
25 20 01	DOLLIES & TRACK RE	0	4,298	0	4,298	0	4,298	1,200	(3,098)
25 48 01	L&D	0	0	0	0	0	0	840	840
25 77 01	BOX RNTL - KEY GRI	0	3,143	0	3,143	0	3,143	775	(2,368)
25 77 08	BOX RNTL - CRFT SV	0	580	0	580	0	580	720	140
25 77 13	BOX RNTL - KEY RIG	0	0	0	0	0	0	760	760
25 77 86	BOX RNTL - MEDIC	0	236	0	236	0	236	2,618	2,382
25 86 01	CONSTRUCTION MEDIC	0	0	0	0	0	0	3,740	3,740
25 86 02	SET MEDIC	0	1,681	0	1,681	0	1,681	220,475	218,794
Totals		0	181,614	0	181,614	(1)	181,613	220,475	38,862
26 00	SPECIAL EFFECTS	0	21,077	0	21,077	0	21,077	21,040	(37)
26 01 01	SFX SUPERVISOR - K	0	600	0	600	0	600	1,000	400
26 02 01	MANUFACTURING LABO	0	0	0	0	0	0	8,058	8,058
26 03 01	SPFX TECH #1	0	0	0	0	0	0	10,248	10,248
26 07 01	SPFX OPERATOR #1	0	7,352	0	7,352	0	7,352	9,636	(2,284)
26 07 02	SPFX OPERATOR #2	0	17,018	0	17,018	0	17,018	5,000	(12,018)
26 09 01	SPFX FABRICATION	0	1,222	0	1,222	0	1,222	6,000	4,778
26 16 01	PYRO/EXPLOSIVES/AM	0	3,551	0	3,551	0	3,551	4,000	469
26 17 01	SNOW MACHINES/BLOW	0	3,307	0	3,307	0	3,307	3,000	(307)
26 17 03	RIGGING AIRPLANE	0	0	0	0	0	0	1,500	1,500
26 17 04	CRANES/CONDOR RTL	0	0	0	0	0	0	500	500
26 48 01	SPFX L&D	0	2,988	0	2,988	0	2,988	9,000	(6,012)
26 77 01	BOX RNTL - SPFX SU	0	12,000	0	12,000	0	12,000	1,000	(11,000)
26 78 01	SPFX SUPERVISOR CA	0	0	0	0	0	0	1,200	1,200
26 85 01	SPFX SUPERVISOR CA	0	184	0	184	0	184	1,200	1,016
Totals		0	69,298	0	69,298	0	69,299	81,182	11,883
27 00	SET DRESSING	0	28,778	0	28,778	0	28,778	30,856	2,078
27 01 01	SET DECORATOR	0	15,881	0	15,881	0	15,881	21,747	5,866
27 02 01	LEADMAN	0	35,419	0	35,419	0	35,419	21,097	(14,322)
27 03 01	SWING#1/BUYER	0	25,843	0	25,843	0	25,843	16,899	(8,944)
27 03 02	SWING #2	0	14,105	0	14,105	0	14,105	16,899	2,794
27 03 03	SWING #3	0	4,061	0	4,061	0	4,061	16,441	12,380
27 03 04	SWING #4	0	11,902	0	11,902	0	11,902	20,866	8,964
27 03 05	ADD'L SWING LABOR	0	11,153	0	11,153	0	11,153	22,240	11,087
27 04 01	ON SET DRESSER	0	80,541	0	80,541	0	80,541	72,000	(8,541)
27 16 01	SET DEC PURCHASES/	0	2,244	0	2,244	0	2,244	2,500	256
27 17 01	SET DEC EXPENDABLE	0	1,782	0	1,782	0	1,782	1,500	(282)
27 48 01	SET DEC L&D	0	1,300	0	1,300	0	1,300	1,325	25
27 77 02	BOX RNTL - LEADMAN	0	0	0	0	0	0	0	0

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Ticket Out									
IOWA COSTS - BUDGET									
Detail									
Ignore Zero Costs, Include Commitments									
Ticket Out Productions		Run Date/Time: 4/28/2009 9:47:54 PM		Page 5		Next Period: 20081220		Currency Conversion: Native	
Currency: US									
Locations: 01 Details: ALL Sets: ALL									
Account	Description	Actuals This Period	Actuals To Date	POs	To Date Total	Estimate To Complete	Estimated Final Cost	Total Budget	Variance (Over)/Under
27 77 04	BOX RNTL - ON SET :	0	400	0	400	0	400	280	(120)
Totals		0	233,410	0	233,410	0	233,410	244,650	11,240
28 00	PROPERTY	0	21,044	0	21,044	0	21,044	20,838	(206)
28 01 01	PROP MASTER - JAY	0	17,371	0	17,371	0	17,371	12,095	(5,276)
28 02 01	PROPS ASSISTANT	0	3,301	0	3,301	0	3,301	17,935	14,634
28 03 01	2ND PROPMAN	0	44,444	0	44,444	0	44,444	43,318	(1,126)
28 04 01	DOG WRANGLER - ROS	0	13,875	0	13,875	0	13,875	16,020	2,145
28 11 01	ARMOURER	0	12,041	0	12,041	0	12,041	17,500	5,459
28 16 01	PROP PURCHASES	0	18,030	0	18,030	0	18,030	20,000	1,970
28 17 01	PROP RENTALS	0	860	0	860	0	860	10,000	9,140
28 17 02	WEAPONS RNTL	0	915	0	915	0	915	1,850	935
28 25 01	PROP EXPENDABLES	0	0	0	0	0	0	6,850	6,850
28 37 01	DOG RENTAL - ROSEN	0	0	0	0	0	0	150	150
28 37 02	CAT RENTAL	0	0	0	0	0	0	1,250	1,250
28 37 36	TRANSPORT/FEED ANI	0	862	0	862	0	862	1,200	338
28 41 01	PIC CAR SUBURBANS	0	10,450	0	10,450	0	10,450	7,000	(3,450)
28 41 02	PIC CAR BONNEVILLE	0	2,000	0	2,000	0	2,000	800	(1,200)
28 41 03	PIC CAR MILLERS JE	0	5,250	0	5,250	0	5,250	5,600	350
28 41 04	PIC CAR FBI CARS	0	6,500	0	6,500	0	6,500	7,500	1,000
28 41 05	PIC CAR CHURCH BUS	0	0	0	0	0	0	400	400
28 41 06	PIC CAR ICE CREAM	0	0	0	0	0	0	1,200	1,200
28 41 07	PIC CAR NEWS VANS/	0	12,811	0	12,811	0	12,811	2,100	(10,711)
28 41 08	PIC CAR POLICE CAR	0	0	0	0	0	0	600	600
28 41 09	PIC CAR ATMOSPHERE	0	16,050	0	16,050	0	16,050	25,000	8,950
28 41 10	OTHER VEHICLES	0	9,921	0	9,921	0	9,921	7,500	(2,421)
28 41 11	REPAIRS/MAINT	0	1,314	0	1,314	0	1,314	12,000	10,686
28 41 12	DENNIS PLANES	0	11,038	0	11,038	0	11,038	13,500	2,462
28 41 13	HERO PLANE END SEQ	0	0	0	0	0	0	4,000	4,000
28 41 14	INT COCKPIT	0	23,179	0	23,179	0	23,179	5,000	(18,179)
28 41 15	L & D	0	645	0	645	0	645	22,000	21,355
28 48 01	PROPS L&D	0	490	0	490	0	490	1,520	1,030
28 77 01	BOX RNTL PROP MAST	0	232,392	0	232,392	0	232,392	284,726	52,334
Totals		0	232,392	0	232,392	0	232,392	284,726	52,334
29 00	WARDROBE	0	28,007	0	28,007	0	28,007	27,900	(107)
29 01 01	COSTUME DESIGNER	0	23,544	0	23,544	0	23,544	27,221	3,677
29 02 01	COSTUME SUPERVISOR	0	17,404	0	17,404	0	17,404	20,348	2,944
29 04 01	COSTUMER #1/BUYER	0	14,868	0	14,868	0	14,868	16,255	1,387
29 04 02	SET COSTUMER	0	6,827	0	6,827	0	6,827	12,408	5,581
29 04 03	WARDROBE PA	0	2,049	0	2,049	0	2,050	3,500	1,451
29 11 01	MANUFACTURING LABO	364	47,018	0	47,018	0	47,018	38,000	(9,018)
29 16 01	WARD PURCHASES	0	1,231	0	1,231	0	1,231	3,500	2,269
29 16 02	EXPENDABLES	0	2,649	0	2,649	0	2,649	3,000	351
29 16 03	ADD'L PURCHASES	0	6,571	0	6,571	0	6,571	20,000	13,429
29 17 01	WARD RENTALS	0	651	0	651	0	651	5,600	4,949
29 46 01	WARD CLEANING & DY	0	69	0	69	0	69	750	681
29 48 01	WARD L&D	0	1,347	0	1,347	0	1,347	1,400	53
29 77 01	BOX RNTL - COST DE	0	1,170	0	1,170	0	1,170	1,140	(30)
29 77 02	BOX RNTL - COST SU	0	0	0	0	0	0	1,225	1,225
29 77 03	BOX RNTL - KEY COS	0	153,405	0	153,405	0	153,405	182,247	28,842
Totals		364	153,405	0	153,405	0	153,405	182,247	28,842
31 00	MAKEUP & HAIR	0	19,627	0	19,627	0	19,627	19,226	(401)
31 01 01	KEY MAKE UP ARTIST	0	15,868	0	15,868	0	15,868	19,338	3,470
31 02 01	KEY HAIR STYLIST	0	21,847	0	21,847	0	21,847	17,069	(4,778)
31 04 01	EXTRA MAKE UP ARTI	0	20,556	0	20,556	0	20,556	11,671	(8,885)
31 05 01	EXTRA HAIR STYLIST	0	0	0	0	0	0	2,000	2,000
31 06 01	SPECIAL MAKE UP	0	2,224	0	2,224	0	2,224	1,400	(824)
31 16 01	MAKE UP SUPPLIES	0	1,032	0	1,032	0	1,032	1,120	88
31 16 02	HAIR SUPPLIES	0	1,866	0	1,866	0	1,866	4,000	2,134
31 16 03	WIGS - STUNT DOUBL	0	19,000	0	19,000	0	19,000	25,000	6,000
31 16 04	WIGS - HAIR CUT SC	0	0	0	0	0	0	1,200	1,200
31 17 01	MAKE UP/HAIR RENTA	0	3,155	0	3,155	0	3,155	5,125	1,970
31 77 01	BOX RNTL - KEY MAK	0	250	0	250	0	250	930	680
31 77 02	BOX RNTL - KEY MAK	0	1,456	0	1,456	0	1,456	2,325	869
31 77 03	BOX RNTL - KEY HAI	0	720	0	720	0	720	930	210
31 77 05	BOX RNTL - KEY HAI	0	720	0	720	0	720	930	210
Totals		0	107,601	0	107,601	0	107,601	111,314	3,733

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Ticket Out									
IOWA COSTS - BUDGET									
Detail									
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Currency: US									
Locations: 01 Details: ALL Sets: ALL									
Run Date/Time: 4/28/2009 9:47:54 PM									
Next Period: 20081220									
Currency Conversion: Native									
Account	Description	Actuals This Period	Actuals To Date	POs	To Date Total	Estimate To Complete	Estimated Final Cost	Total Budget	Variance (Over)/Under
32 00	LIGHTING	0	20,954	0	20,954	0	20,954	18,216	(2,738)
32 01 01	GAFFER	0	16,731	0	16,731	0	16,731	15,459	(1,272)
32 02 01	BEST BOY GAFFER	0	8,167	0	8,167	0	8,167	14,478	6,311
32 03 01	LAMP OF #1	0	13,055	0	13,055	0	13,055	14,142	1,087
32 03 02	LAMP OF #2	0	9,289	0	9,289	0	9,289	8,848	(441)
32 03 03	LAMP OF #3	0	12,779	0	12,779	0	12,779	4,705	(8,073)
32 03 04	ADD'L AN/DAYS	0	11,512	0	11,512	0	11,512	11,708	196
32 05 01	GENERATOR OPERATOR	0	0	0	0	0	0	3,500	3,500
32 09 01	BURNOUTS/CARBONS/G	0	500	0	500	0	500	3,625	3,125
32 12 01	GAS & OIL GENERATOR	0	14,346	0	14,346	0	14,346	8,615	(5,731)
32 13 01	RIGGING GAFFER	0	0	0	0	0	0	7,787	7,787
32 13 02	RIGGING BEST BOY	0	11,505	0	11,505	0	11,505	5,852	(5,653)
32 13 03	RIGGING ELECT #1	0	0	0	0	0	0	5,852	5,852
32 13 04	RIGGING ELECT #2	0	4,317	0	4,317	0	4,317	18,000	13,683
32 16 01	GELS/EXPENDABLES/E	0	59,088	0	59,088	0	59,088	69,560	10,472
32 17 01	LIGHTING PACKAGE R	0	15,471	0	15,471	0	15,471	29,728	14,257
32 17 02	TOWED GENERATOR	0	6,524	0	6,524	0	6,524	15,000	8,476
32 17 03	CONDORS/LIFTS	0	5,595	0	5,595	0	5,595	1,500	(4,095)
32 48 01	ELECTRIC L&D	0	1,470	0	1,470	0	1,470	1,860	390
32 77 01	BOX RNTL - GAFFER	0	211,302	0	211,302	(1)	211,302	258,436	47,134
Totals		0	211,302	0	211,302	(1)	211,302	258,436	47,134
33 00	CAMERA	0	50,363	0	50,363	0	50,363	45,300	(5,063)
33 01 01	DIR OF PHOTOG - PE	0	24,256	0	24,256	0	24,256	25,285	1,029
33 02 01	CAMERA OPERATOR	0	20,145	0	20,145	0	20,145	25,862	5,717
33 03 01	1ST ASST CAMERA	0	13,521	0	13,521	0	13,521	17,683	4,162
33 04 01	2ND ASST CAMERA	0	16,276	0	16,276	0	16,276	17,669	1,393
33 05 01	LOADERS & MACHINIS	0	4,961	0	4,961	0	4,961	18,210	13,249
33 06 01	B CAMERA 1ST ASST	-5	4,360	0	4,360	0	4,360	12,637	8,277
33 07 01	B CAMERA 2ND ASST	0	21,059	0	21,059	0	21,059	15,161	(5,898)
33 10 01	STILL PHOTOGRAPHER	0	6,776	0	6,776	0	6,776	2,100	(4,676)
33 16 01	CAMERA PURCHASES	10,144	105,887	0	105,887	0	105,887	95,200	(10,687)
33 17 01	CAMERA PACKAGE RENT	0	4,823	0	4,823	0	4,823	500	(4,323)
33 48 01	CAMERA L&D	0	2,664	0	2,664	0	2,664	1,120	(1,544)
33 77 01	BOX RNTL DOP	0	960	0	960	0	960	840	(120)
33 77 03	BOX RNTL - 1ST ASS	0	0	0	0	0	0	280	280
33 77 04	BOX RNTL - 2ND ASS	0	5,650	0	5,650	0	5,650	5,800	150
33 77 10	BOX RNTL - STILL P	0	0	0	0	0	0	30,000	30,000
33 85 01	HELICOPTER	0	0	0	0	0	0	0	0
Totals		10,140	281,701	0	281,701	(1)	281,700	313,647	31,947
34 00	PRODUCTION SOUND	0	19,524	0	19,524	0	19,524	16,919	(2,605)
34 01 01	SOUND MIXER	0	16,286	0	16,286	0	16,286	15,824	(462)
34 02 01	BOOM OPERATOR	0	11,978	0	11,978	0	11,978	11,439	(539)
34 03 01	CABLEMAN	0	3,295	0	3,295	0	3,295	18,051	14,756
34 09 01	VIDEO ASSIST	0	873	0	873	0	873	4,720	3,847
34 16 01	SOUND PURCHASES	0	10,762	0	10,762	0	10,762	12,000	1,238
34 17 01	SOUND PACKAGE RENT	0	9,500	0	9,500	0	9,500	8,200	(1,300)
34 17 02	VIDEO ASST PACKAGE	0	0	0	0	0	0	2,000	2,000
34 17 03	ADDL SOUND EQUIPME	0	6,928	0	6,928	0	6,928	5,312	(1,616)
34 17 04	WALKIE RENTALS	0	0	0	0	0	0	1,000	1,000
34 48 01	SOUND L&D	0	938	12,673	13,611	0	13,611	1,000	(12,611)
34 48 02	WALKIE L&D	0	0	0	0	0	0	0	0
Totals		0	80,084	12,673	92,757	0	92,757	96,465	3,708
35 00	TRANSPORTATION	0	53,256	0	53,256	0	53,256	41,952	(11,304)
35 01 01	TRANSPO COORD - GR	0	37,318	0	37,318	0	37,318	27,594	(9,724)
35 02 01	TRANSPO CAPT	0	900	0	900	0	900	38,242	37,342
35 03 12	2 RM TRAILER DRIVE	0	0	0	0	0	0	19,311	19,311
35 03 13	DIRECTOR TRAILER	0	13,295	0	13,295	0	13,295	21,429	8,134
35 03 14	LITOTA TRAILER DRIV	0	104,275	0	104,275	0	104,275	169,916	65,641
35 03 20	SHUTTLE VAN/CRFT S	0	21,032	0	21,032	0	21,032	23,717	2,685
35 03 25	40' GRIP TRLR DRIV	0	0	0	0	0	0	3,531	3,531
35 03 26	SPFX 5 TON DRIVER	0	9,785	0	9,785	0	9,785	17,091	7,306
35 03 27	SET DEC 10 TO DRIV	0	13,659	0	13,659	0	13,659	21,494	7,835
35 03 28	PROP TRUCK DRIVER	0	23,209	0	23,209	0	23,209	20,886	(2,323)
35 03 29	WARD TRAILER DRIVE	0	36,715	0	36,715	0	36,715	26,086	(10,629)
35 03 31	MU/HAIR TRAILER DR	0	1,489	0	1,489	0	1,489	10,151	8,662
35 03 32	G&E DRIVER	0	0	0	0	0	0	0	0

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Next Period: 20081220									
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Account	Description	Actuals This Period	Actuals To Date	POs	To Date Total	Estimate To Complete	Estimated Final Cost	Total Budget	Variance (Over)/Under
35 03 33	CAMERA TRUCK DRIVE	0	42,302	0	42,302	0	42,302	19,932	(22,370)
35 03 36	HONEY WAGON DRIVER	0	32,441	0	32,441	0	32,441	25,351	(7,090)
35 03 85	ADD'L DRIVERS	0	51,372	0	51,372	0	51,372	23,598	(27,774)
35 42 01	K&K LEASING	0	103,481	0	103,481	0	103,481	99,435	(4,046)
35 42 13	DIRECTOR TRAILER	0	0	0	0	0	0	2,200	2,200
35 42 20	PROD VANS/MOTOR HOI	63	8,843	0	8,843	0	8,843	12,600	3,757
35 42 25	GRIP/ELECT TRUCK/	0	7,703	0	7,703	0	7,703	8,900	1,197
35 42 27	SET DSC 10-TON	0	6,939	0	6,939	0	6,939	5,740	(1,199)
35 42 28	PROP TRUCK	0	0	0	0	0	0	3,510	3,510
35 42 32	TRACTOR W/ TWIN GE	0	9,940	0	9,940	0	9,940	11,900	1,960
35 42 33	CAMERA TRUCK & CAM	0	5,399	0	5,399	0	5,399	10,500	5,101
35 42 35	FUEL TRUCK/CAR TRA	0	0	0	0	0	0	11,590	11,590
35 42 36	HONEY WAGON	0	7,560	0	7,560	0	7,560	5,200	(2,360)
35 42 38	TOW TRUCKS/ROAD CL	0	7,915	0	7,915	0	7,915	3,920	(3,995)
35 42 85	2 RANGE ROVERS	0	18,900	0	18,900	0	18,900	18,900	0
35 44 01	FUEL/OIL	178	90,795	0	90,795	0	90,795	42,600	(48,195)
35 45 01	TRAILER DUMPING	0	291	0	291	0	291	2,800	2,509
35 45 02	TRAILER SUPPLIES	0	5,024	0	5,024	0	5,024	2,520	(2,504)
35 45 03	VEHICLE MAINTENANC	0	9,628	0	9,628	0	9,628	4,500	(5,128)
35 46 01	PERMITS/TOLLS/TRAN	0	2,606	0	2,606	0	2,606	3,500	894
35 48 01	TRANSPD L&D	0	21,730	10,000	31,730	0	31,730	2,500	(29,230)
35 49 01	MILEAGE	0	10,134	0	10,134	0	10,134	3,500	(6,634)
35 49 02	DRIVER MEAL MONEY	0	16,161	0	16,161	0	16,161	10,080	(6,081)
35 77 01	BOX RNTL - TRANSPD	0	1,280	0	1,280	0	1,280	530	(750)
35 77 02	BOX RNTL - PIC CAR	0	455	0	455	0	455	530	75
35 77 03	MECHANIC KIT	0	925	0	925	0	925	0	(925)
35 86 12	SELF DRIVE PRODUCE	67	3,428	0	3,428	0	3,427	3,360	(67)
35 86 14	SELF DRIVE CAST	0	19,801	0	19,801	0	19,801	17,110	(2,691)
35 86 20	SELF DRIVE PROD ST	32,086	45,800	0	45,800	0	45,800	27,783	(18,017)
35 86 22	SELF DRIVE ART DEP	0	1,055	0	1,055	0	1,055	4,080	3,025
35 86 27	SELF DRIVE SET DEC	0	6,594	0	6,594	0	6,594	9,285	2,691
35 86 28	SELF DRIVE PROPS	0	0	0	0	0	0	4,575	4,575
35 86 29	SELF DRIVE WARD	0	49	0	49	0	49	9,350	9,301
35 86 31	SELF DRIVE MU/HAIR	0	604	0	604	0	604	1,505	901
35 86 33	SELF DRIVE CAMERA	0	0	0	0	0	0	1,333	1,333
35 86 34	SELF DRIVE SOUND	0	1,097	0	1,097	0	1,097	3,355	2,258
35 86 36	SELF DRIVE LOCATIO	0	0	0	0	0	0	2,080	2,080
35 86 45	SELF DRIVE EDITORI	0	0	0	0	0	0	1,247	1,247
35 86 85	SELF DRIVE OTHER C	0	29,031	0	29,031	0	29,032	4,515	(24,517)
Totals		32,394	884,220	10,000	894,220	(1)	894,219	867,314	(26,905)
36 00	LOCATION/TRAVEL & LIVING								
36 01 01	BTL AIRPORT PICK U	0	6,560	0	6,560	0	6,560	1,500	(5,060)
36 02 01	SITE RENTALS	0	102,295	0	102,295	0	102,295	53,200	(49,095)
36 03 20	PRODUCTION AIRFARE	1,162	73,755	0	73,755	0	73,756	47,720	(26,036)
36 03 22	ART DEPT AIRFARES	0	11,294	0	11,294	0	11,294	11,910	616
36 03 25	SET OPERATIONS AIR	0	3,184	0	3,184	0	3,184	4,032	848
36 03 27	SET DEC AIRFARES	0	2,310	0	2,310	0	2,310	2,016	(294)
36 03 28	PROPS/WRANGLER/ARM	0	3,820	0	3,820	0	3,820	3,846	26
36 03 29	WARDROBE AIRFARES	0	5,859	0	5,859	0	5,859	6,300	441
36 03 31	MU/HAIR AIRFARES	0	4,769	0	4,769	0	4,769	3,236	(1,533)
36 03 32	ELECTRIC PER DIEM	0	1,492	0	1,492	0	1,492	2,016	524
36 03 33	CAMERA AIRFARES	0	18,209	0	18,209	0	18,209	12,440	(5,769)
36 03 34	SOUND AIRFARES	0	2,031	0	2,031	0	2,031	1,008	(1,023)
36 03 35	TRANSPD AIRFARES	0	319	0	319	0	319	1,020	701
36 03 36	CATERER AIRFARES	0	3,541	0	3,541	0	3,541	1,220	(2,321)
36 03 40	2ND UNIT AIRFARES	0	2,504	0	2,504	0	2,504	3,660	1,156
36 03 45	EDITORIAL AIRFARES	0	0	0	0	0	0	1,830	1,830
36 03 65	PUBLICITY AIRFARES	0	1,302	0	1,302	0	1,302	2,016	714
36 03 85	OTHER AIRFARES	0	5,212	0	5,212	0	5,212	1,830	(3,382)
36 03 86	CAMERA PREP TORONT	0	682	0	682	0	682	1,920	1,238
36 03 87	AIRFARE CHANGES	0	0	0	0	0	0	35,000	35,000
36 04 20	PRODUCTION HOTELS	609	104,660	0	104,660	0	104,660	75,508	(29,152)
36 04 21	EXTRAS CASTING HOT	0	0	0	0	0	0	1,680	1,680
36 04 22	ART DEPT HOTELS	0	16,892	0	16,892	0	16,892	11,627	(5,265)
36 04 25	SET OPERATIONS HOT	0	14,871	0	14,871	0	14,871	20,384	5,513
36 04 27	SET DEC HOTELS	0	18,405	0	18,405	0	18,405	16,156	(2,249)
36 04 28	PROPS/WRANGLER HOT	0	13,272	0	13,272	0	13,272	4,121	(8,351)

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36 04 29	WARDROBE HOTELS	0	12,921	0	12,921	0	12,921	13,013	92
36 04 31	MU/HAIR HOTELS	0	11,802	0	11,802	0	11,802	8,624	(3,178)
36 04 32	ELECTRIC HOTELS	0	13,028	0	13,028	0	13,028	14,224	1,196
36 04 33	CAMERA HOTELS	0	34,314	0	34,314	0	34,314	19,817	(14,497)
36 04 34	SOUND HOTELS	0	3,900	0	3,900	0	3,900	2,772	(1,128)
36 04 35	TRANSPO HOTELS	0	15,886	0	15,886	0	15,886	20,370	4,484
36 04 36	CATERER HOTELS	0	7,075	0	7,075	0	7,075	2,772	(4,303)
36 04 40	2ND UNIT HOTELS	0	9,834	0	9,834	0	9,834	1,890	(7,944)
36 04 45	EDITORIAL HOTELS	0	3,900	0	3,900	0	3,900	2,772	(1,128)
36 04 48	HOTELS L&D	0	0	0	0	0	0	3,360	3,360
36 04 49	HOTELS FOR VISA/CN	0	0	0	0	0	0	1,695	1,695
36 04 65	PUBLICITY HOTELS	0	3,900	0	3,900	0	3,900	2,156	(1,744)
36 04 85	ADD'L HOTELS	0	10,163	0	10,163	0	10,163	60,800	50,637
36 05 20	PRODUCTION PER DIEM	509	74,012	0	74,012	0	74,012	71,939	(2,073)
36 05 22	ART DEPT PER DIEM	0	14,188	0	14,188	0	14,188	12,642	(1,546)
36 05 25	GRIP PER DIEM	0	10,975	0	10,975	0	10,975	17,430	6,455
36 05 26	SPFX PER DIEM	0	5,250	0	5,250	0	5,250	0	(5,250)
36 05 27	SET DEC PER DIEM	0	11,925	0	11,925	0	11,925	8,120	(3,805)
36 05 28	PROPS/WRANGLERS PE	0	9,645	0	9,645	0	9,645	5,110	(4,535)
36 05 29	WARDROBE PER DIEM	0	9,000	0	9,000	0	9,000	12,390	3,390
36 05 31	MU/HAIR PER DIEM	0	8,072	0	8,072	0	8,072	7,840	(232)
36 05 32	ELECTRIC PER DIEM	0	8,300	0	8,300	0	8,300	13,720	5,420
36 05 33	CAMERA PER DIEM	0	19,631	0	19,631	0	19,631	18,900	(731)
36 05 34	SOUND PER DIEM	0	4,744	0	4,744	0	4,744	2,450	(2,294)
36 05 35	TRANSPO PER DIEM	0	26,532	0	26,532	0	26,532	29,960	3,428
36 05 36	CATERER PER DIEM	0	9,875	0	9,875	0	9,875	4,620	(5,255)
36 05 40	2ND UNIT PER DIEM	0	7,114	0	7,114	0	7,114	3,150	(3,964)
36 05 45	EDITORIAL PER DIEM	0	0	0	0	0	0	2,450	2,450
36 05 85	PUBLICIST PER DIEM	0	1,550	0	1,550	0	1,550	1,960	410
36 05 85	ADD'L CREW PER DIEM	0	3,100	0	3,100	0	3,100	5,320	2,220
36 06 01	EQUIP SHIPPING & F	0	9,068	0	9,068	0	9,068	35,000	25,932
36 08 01	PERMITS & FEES	0	150	0	150	0	150	3,500	3,350
36 11 01	CATERED MEALS - SE	0	75,849	0	75,849	0	75,849	84,933	9,084
36 12 01	COOK/DRIVER	0	27,197	0	27,197	0	27,197	21,700	(5,497)
36 12 02	CATERING HELPER #1	0	11,769	0	11,769	0	11,769	13,300	1,531
36 12 03	CATERING HELPER #2	0	9,348	0	9,348	0	9,348	10,500	1,152
36 12 04	CATERING HELPER #3 F	0	0	0	0	0	0	6,210	6,210
36 12 36	CATERING TRAVEL TO	0	0	0	0	0	0	5,000	5,000
36 13 01	LOCATION SUPPLIES/	0	28,620	0	28,620	0	28,620	21,460	(7,160)
36 28 01	SCOUTING COSTS	0	1,812	0	1,812	0	1,812	10,000	8,188
36 30 01	SET SECURITY	0	14,698	0	14,698	0	14,698	26,208	11,510
36 31 01	FIREMAN	0	0	0	0	0	0	2,200	2,200
36 32 01	POLICE	0	20,889	0	20,889	0	20,889	32,560	11,671
36 85 01	TRASH BINS/DUMPING	0	4,574	0	4,574	0	4,574	12,500	7,926
36 85 02	WRAP PARTY	0	3,925	0	3,925	0	3,925	5,000	1,075
36 90 01	MEAL PENALTIES - A	0	10,696	0	10,696	0	10,696	11,200	504
Totals		2,280	986,469	0	986,469	(1)	986,469	1,001,533	15,064
37 00	PROD. FILM & LAB								
37 02 01	RAW STOCK ALL CAME	0	85,856	6,640	92,496	0	92,496	86,496	(6,000)
37 04 01	DEVELOPE ALL CAMER	868	29,222	3,132	32,354	0	32,354	18,506	(13,848)
37 05 01	TELECINE ALL CAMER	0	11,921	11,631	23,552	0	23,552	33,552	10,000
37 06 01	SOUND TRANSFERS	0	0	3,500	3,500	0	3,500	3,500	0
37 28 01	PROJECTION	0	0	2,500	2,500	0	2,500	2,500	0
37 29 01	STILLS FILM & LAB	0	0	4,200	4,200	0	4,200	4,200	0
Totals		868	126,999	31,603	150,602	0	150,602	140,754	(9,848)
40 00	SECOND UNIT								
40 20 01	2ND UNIT ALL IN	0	42,880	0	42,880	0	42,880	21,488	(21,392)
40 20 02	SCRIPT SUPERVISOR	0	2,130	0	2,130	0	2,130	3,139	1,009
40 20 03	KEY SET PA	0	3,878	0	3,878	0	3,878	1,512	(2,366)
40 20 04	ADDL PA	0	1,093	0	1,093	0	1,093	36,512	35,419
40 25 01	KEY GRIP	0	6,934	0	6,934	0	6,934	4,672	(2,262)
40 25 02	GRIP	0	8,783	0	8,783	0	8,783	4,034	(4,749)
40 29 01	COSTUMER	0	1,917	0	1,917	0	1,917	2,816	899
40 31 01	MU/HAIR	0	1,387	0	1,387	0	1,387	2,816	1,429
40 33 01	DP/OPERATOR	0	17,928	0	17,928	0	17,928	8,758	(9,170)
40 33 02	1ST AC	0	22,931	0	22,931	0	22,931	8,751	(14,180)

Report on Special Investigation of the
Film, Television and Video Project Production Program
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E-mail - Budget and Estimates

Ticket Out										Page 9
IOWA COSTS - BUDGET										4/28/2009 9:47:54 PM
Detail										Next Period: 20081220
Ignore Zero Costs, Include Commitments										Currency Conversion: Native
Ticket Out Productions										
Currency: US										
Locations: 01 Details: ALL Sets: ALL										
Account	Description	Actuals This Period	Actuals To Date	POs	To Date Total	Estimate To Complete	Estimated Final Cost	Total Budget	Variance (Over)/Under	
40 33 03	2ND AC	0	19,390	0	19,390	0	19,390	4,926	(14,464)	
40 33 77	CAMERA BOX RNTLS	0	2,600	0	2,600	0	2,600	1,800	(800)	
40 35 01	TRANSPO EQUIP/TRUC	0	358	0	358	0	358	18,400	18,042	
40 35 02	CREW MEALS	0	133	0	133	0	133	0	(133)	
40 36 01	CRFT SVC PERSON	0	365	0	365	0	365	3,147	2,782	
40 36 02	CREW MEALS/CRFT SV	0	2,091	0	2,091	0	2,091	4,080	1,989	
40 36 03	LOCATION SUPPLIES/	0	3,794	0	3,794	0	3,794	4,000	206	
40 83 02	OTHER COST - SHOOT	0	10,601	75,000	85,601	0	85,601	0	(85,601)	
Totals		0	149,193	75,000	224,193	0	224,193	128,851	(95,342)	
41 00	TESTS									
41 17 01	TESTS	0	0	0	0	0	0	1,500	1,500	
Totals		0	0	0	0	0	0	1,500	1,500	
43 00	TOTAL FRINGES									
43 99 99	BTL FRINGES	0	863,854	0	863,854	0	863,855	1,016,436	152,581	
Totals		0	863,854	0	863,854	0	863,855	1,016,436	152,581	
Below The Line		179,714	7,003,358	312,423	7,315,780	(3)	7,315,778	7,742,920	427,142	
Post-Production										
44 00	VISUAL EFFECTS									
44 01 03	TV BURN INS-VFX MI	0	20,418	7,582	28,000	0	28,000	28,000	0	
Totals		0	20,418	7,582	28,000	0	28,000	28,000	0	
45 00	FILM EDITING									
45 01 01	EDITOR	0	52,500	44,750	97,250	0	97,250	97,250	0	
45 02 01	ASST EDITOR	0	19,300	18,295	37,595	0	37,595	37,595	0	
45 02 02	APPRENTICE EDITOR	0	7,000	18,550	25,550	0	25,550	25,550	0	
45 03 01	CHRIS NOONAN	0	0	125,000	125,000	0	125,000	125,000	0	
45 03 02	DOUG LADOTO	0	0	30,000	30,000	0	30,000	30,000	0	
45 03 03	DL FINANCING PRODU	0	0	51,000	51,000	0	51,000	51,000	0	
45 03 04	RB POST PRODUCTION	0	0	50,000	50,000	0	50,000	50,000	0	
45 13 01	2 AVID SYSTEMS	0	6,800	32,200	39,000	0	39,000	39,000	0	
45 15 01	CUTTING ROOM RENTA	0	0	7,000	7,000	0	7,000	7,000	0	
45 17 01	POST SUPERVISOR	0	0	30,000	30,000	0	30,000	20,000	(10,000)	
Totals		0	85,600	406,795	492,395	0	492,395	482,395	(10,000)	
46 00	MUSIC									
46 02 01	COMPOSER & SCORE A	0	0	75,000	75,000	0	75,000	75,000	0	
46 05 01	MUSIC SUPERVISOR	0	0	25,000	25,000	0	25,000	25,000	0	
46 46 01	MUSIC RIGHTS	0	0	50,000	50,000	0	50,000	50,000	0	
Totals		0	0	150,000	150,000	0	150,000	150,000	0	
47 00	POST PRODUCTION SOUND									
47 04 01	PACKAGE DEAL	0	0	75,000	75,000	0	75,000	75,000	0	
47 85 01	DOLBY LICENSE	0	0	10,000	10,000	0	10,000	10,000	0	
Totals		0	0	85,000	85,000	0	85,000	85,000	0	
48 00	POST PRODUCTION FILM & LABORATORY									
48 10 01	STOCK FOOTAGE	0	0	284	284	0	284	0	(284)	
48 20 01	SOUND NEGATIVE - D	0	0	5,628	5,628	0	5,628	5,628	0	
48 25 01	SCAN & DUST	0	0	44,953	44,953	0	44,953	44,953	0	
48 25 02	DIGITAL CONFORM &	0	0	66,775	66,775	0	66,775	66,775	0	
48 25 03	TITLE COMPOSITING	0	0	11,000	11,000	0	11,000	11,000	0	
48 25 04	LASER FILM RECORDI	0	0	28,512	28,512	0	28,512	28,512	0	
48 25 05	LABORATORY SERVICE	0	0	7,069	7,069	0	7,069	7,069	0	
48 26 01	35MM COLOR ANSWER	0	0	0	0	0	0	9,100	9,100	
48 27 01	OPTICAL MANUFACTUR	0	0	6,500	6,500	0	6,500	6,500	0	
Totals		0	0	170,721	170,721	0	170,721	179,537	8,816	
49 00	MAIN & END TITLES									
49 01 01	MAIN AND END TITLE	0	0	20,418	20,418	0	20,418	10,000	(10,418)	
Totals		0	0	20,418	20,418	0	20,418	10,000	(10,418)	
52 00	TOTAL FRINGES									
52 99 99	POST FRINGES	0	19,683	17,350	37,033	0	37,033	37,033	0	
Totals		0	19,683	17,350	37,033	0	37,033	37,033	0	
Post Production		0	125,701	857,866	983,567	0	983,567	971,965	(11,602)	
Below The Line - Other										
65 00	PUBLICITY/MARKETING									

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

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IOWA COSTS - BUDGET									
Detail									
Ignore Zero Costs, Include Commitments									
Ticket Out Productions									
Currency: US									
Locations: 01 Details: ALL Sets: ALL									
Run Date/Time: 4/28/2009 9:47:54 PM									
Next Period: 20081220									
Currency Conversion: Native									
Account	Description	Actuals This Period	Actuals To Date	POs	To Date Total	Estimate To Complete	Estimated Final Cost	Total Budget	Variance (Over)/Under
65 01 01	JIM MARKETING	0	1,100,000	0	1,100,000	0	1,100,000	1,100,000	0
65 01 03	MCCLATCHEY MARKETI	35,000	35,000	75,000	110,000	0	110,000	110,000	0
65 20 01	BPK	0	2,933	14,902	17,835	0	17,835	13,000	(4,835)
65 85 01	PUBLICIST	0	5,098	20,418	25,516	0	25,516	20,000	(5,516)
Totals		35,000	1,143,031	110,320	1,253,351	0	1,253,351	1,243,000	(10,351)
67 00	INSURANCE	0	1,589	0	1,589	0	1,589	1,200	(389)
67 01 01	CAST EXAMS	0	0	10,271	10,271	0	10,271	10,271	0
67 03 01	INSURANCE E&O	0	83,199	8,801	92,000	0	92,000	92,000	0
67 07 01	INSURANCE PRODUCER	0	0	13,060	13,060	0	13,060	13,060	0
67 09 01	INSURANCE FOREIGN	0	0	0	0	0	0	0	0
Totals		0	84,788	32,132	116,920	0	116,920	116,531	(389)
68 00	GENERAL EXPENSE & OFFICE	0	1,666	6,734	8,400	0	8,400	8,400	0
68 01 01	PHONE OFC USAGE	772	6,179	7,321	13,500	0	13,500	13,500	0
68 01 02	PHONE/IA OFC USAGE	0	5,435	0	5,435	0	5,435	4,300	(1,135)
68 02 01	PHONE INSTALLATION	2,399	13,061	0	13,061	0	13,060	6,450	(6,610)
68 03 01	IA PROD OFC EQUIP	0	37,478	0	37,478	0	37,478	31,500	(5,978)
68 04 01	IA OFFICE RENTALS	280	6,203	1,797	8,000	0	8,000	8,000	0
68 04 02	ADD'L OFC RENTALS	0	1,589	0	1,589	0	1,589	7,000	5,411
68 04 03	IA CLEANING, ETC	0	10,500	0	10,500	0	10,500	9,500	(1,000)
68 04 04	DRESSING/CONSTRUCT	129	26,289	0	26,289	0	26,288	12,840	(13,448)
68 05 01	IA OFFICE SUPPLIES	0	4,229	0	4,229	0	4,229	3,500	(729)
68 05 02	IA OFFICE SET UP	418	3,163	0	3,163	0	3,163	1,500	(1,663)
68 05 03	BANKING FEES	0	9,808	11,095	20,903	0	20,904	23,625	2,721
68 06 01	IA CELL PHONE REIM	123	5,159	0	5,159	0	5,159	3,500	(1,659)
68 06 02	ADD'L CELL REIMB	81	16,016	0	16,016	0	16,016	7,300	(8,715)
68 07 01	PROD OFC MEALS/CRF	0	231	109	340	0	340	340	0
68 08 01	WORK PERMITS/CUSTO	5,797	5,797	14,290	20,087	0	20,087	4,500	(15,587)
68 08 02	BROKERAGE FEES	4,626	15,765	10,735	26,500	0	26,500	26,500	0
68 09 01	POSTAGE FED EX	0	4,212	0	4,212	0	4,212	2,500	(1,712)
68 10 01	COURIER/MESSENGER	0	2,461	1,589	4,050	0	4,050	4,050	0
68 11 01	PROD OFC FURNITURE	0	0	1,500	1,500	0	1,500	1,500	0
68 20 01	CITY LICENSE	0	10,000	10,000	10,000	0	10,000	10,000	0
68 22 01	CODE SEAL	0	40,000	0	40,000	0	40,000	40,000	0
68 23 01	OVERHEAD COSTS-LOD	0	24,000	24,000	24,000	0	24,000	24,000	0
68 50 01	POST PRODUCTION AC	2,285	18,782	1,218	20,000	0	20,000	20,000	0
68 55 01	ADD'L LEGAL	0	18,204	0	18,204	0	18,204	20,000	1,796
68 55 02	IOWA IOWA	0	25,538	0	25,538	0	25,538	25,000	(538)
68 55 03	BUSINESS AFFAIRS	17,430	87,771	12,229	100,000	0	100,000	100,000	0
68 55 04	PRODUCER LEGAL FEE	0	36,000	36,000	36,000	0	36,000	36,000	0
68 95 01	ADD'L OVERHEAD	0	2,144	13,856	16,000	0	16,000	16,000	0
68 97 01	FILING - TAX CREDI	0	0	2,800	2,800	0	2,800	2,800	0
68 99 01	FILING FEE TAX CRE	0	34,646	0	34,646	0	34,646	34,336	(310)
68 99 99	POST FRINGE	0	0	0	0	0	0	0	0
Totals		34,340	402,326	155,273	557,599	(1)	557,599	508,441	(49,158)
80 00	FINANCE FEE	0	0	0	0	0	0	0	0
80 02 01	BROKER FEES/FINANC	83,148	551,372	318,628	870,000	0	870,000	870,000	0
Totals		83,148	551,372	318,628	870,000	0	870,000	870,000	0
82 00	CONTINGENCY	0	0	509,356	509,356	0	509,356	180,000	(329,356)
82 00 01	FINANCING FEES	0	0	509,356	509,356	0	509,356	180,000	(329,356)
Totals		0	0	509,356	509,356	0	509,356	180,000	(329,356)
Below The Line - Other		152,489	2,181,517	1,125,709	3,307,226	0	3,307,226	2,917,972	(389,254)
Production Totals		332,202	9,579,851	2,421,863	12,001,714	(1)	12,001,711	12,001,711	0

Report approved: *Thomas Wheeler* 5/1/09
Thomas D. Wheeler
Manager, Iowa Film Office

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

E-mail – Shell Company

Wheeler, Tom [IDED]

From: douglas lodato [lodatod@aol.com]
Sent: Monday, August 25, 2008 5:25 PM
To: Wheeler, Tom [IDED]
Subject: Re: TICKET OUT - Iowa research

Thanks , Tom. On no. 2 I think there is a big difference between having the legal rt to produce, as in a contract, vs owning a piece of the copyright. I'll try to call you tomorrow; I am in transit. Thank you.

Sent via BlackBerry by AT&T

From: "Wheeler, Tom [IDED]" <Tom.Wheeler@iowalifechanging.com>
Date: Mon, 25 Aug 2008 14:00:48 -0500
To: 'lodatod@aol.com' <lodatod@aol.com>
Subject: RE: TICKET OUT - Iowa research
Doug,

See my responses in blue below. I tried to be to the point but I'm happy to elaborate or clarify.

Tom.

From: lodatod@aol.com [mailto:lodatod@aol.com]
Sent: Monday, August 25, 2008 1:27 PM
To: Wheeler, Tom [IDED]; baker.films@sasktel.net; lodatod@aol.com
Subject: TICKET OUT - Iowa research

Tom,

I hope you are well. I understand that there is a film festival going on in Iowa which is time consuming for you!

I am working with my Canadian Producer, Rhonda Baker, on researching whether it makes sense to film part of our movie in Iowa, for both creative and financial reasons. As you can imagine, we are in need of information about a number of things, as we'd be bringing about 26 people down with us. One of the primary reasons we'd do this in Iowa vs, say, Michigan, is that yours is a right to work state, and we think there is legitimate justification for importing experienced feature film crew.

Rhonda and I are prepared to travel to Des Moines very soon, but she has compiled a list of questions below upon which we should get advice before traveling. I am assuming that I will establish the Iowa Vendor corporation as I will wish to duplicate this structure quite often, which of course is part of the motivation for the policy in the first place. I don't mind becoming a resident if that is required.

In anyevent, I'll call you tomorrow and here are the questions...

Important Questions for Rhonda.

1. What is the structure of our US corporation? Can a non-US or Iowa resident own a portion of the company and if yes, what percentage? The project can be incorporated anywhere but the Vendor must

Report on Special Investigation of the
Film, Television and Video Project Production Program
Administered by the Department of Economic Development

E-mail – Shell Company

- be incorporated in Iowa. For example, "Ticket Out Production" could be Canadian while Ticket Out Production Services must be Iowan.
- 2. Does the corporation require any copyright ownership? Yes, the project must have legal rights to produce the property.
- 3. Does anyone in our corporation have to be resident? No. Members of the Investors, Production and Vendor can reside anywhere. Although the Vendor must be incorporated in Iowa, an agent can be designated that holds an Iowa address.
- 4. Legal question - Does our LLC contract the US company to produce that portion along with the CDN company? Actual production can be handled by a two-nation co-production because the Producer can come from anywhere.
- 5. What is the process to qualify for an Iowa spend if we can't get the equipment in Iowa? All spending must be with or through Iowa vendors. When goods, services or labor cannot be found in Iowa, then the Project can "outsource" goods, services and labor through an Iowa vendor. This pass-through relationship is designed into our program; it satisfies the spending requirement by paying an Iowa vendor. We are not concerned with how the Vendor spends the money in turn.
- 6. After we complete the audit who makes the tax credit decision? Do we get a Part A approved and then file a Part B or final credit? I am currently the sole "auditor" of spending. I will happily review the preliminary, estimated budget prior to spending. It is the final expenditure report that we base the value of certificates on.

These are questions before we travel to Iowa. I'm happy to have these discussions myself if you find me a production person to talk to since I also want to know the following:

- 1. Are there production offices available? Yes, any location where you need to shoot would have some appropriate space in which to set up offices.
- 2. Are there any film unions in Iowa? If so we need to get their crew availability lists. Yes and no. Iowa has both IATSE and Teamsters but neither have traditional film locals. IATSE here is stagehands and the Teamsters are traditional industry drivers.
- 3. Do they have honeywagons, motor homes, etc or will we be bringing them to Iowa? Standard honeywagons will have to come from out of state. Typical motor homes are readily available anywhere in Iowa.
- 4. Do they have film rates with hotels, vehicle rentals, and such? All rates are negotiable for ground services. The towns and cities understand that package rates and deals are common and the larger locations have active support networks in place.
- 5. Can ACTRA members get permits to work in the US? Which rules apply, ACTRA or SAG? I'm sorry but I don't know about ACTRA vs. SAG or otherwise.

Thank you,

Doug Lodato

[Get the MapQuest Toolbar](#). Directions, Traffic, Gas Prices & More!

Report on Special Investigation of the
Film, Television and Video Project Production Program
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Contract Signature

relating to the Registered Project and any representations that may have been made before or after the signing of this Contract, which are not contained herein, are nonbinding, void and of no effect. Neither of the Parties have relied on any such prior representation in entering into this Contract Agreement.

IN WITNESS WHEREOF in consideration of the mutual covenants set forth above and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties have entered into this Contract and have caused their duly authorized representatives to execute this Contract, effective as of the latest date stated below (the "Contract Effective Date").

FOR THE IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT:

BY: [Signature]
Michael L. Tramontana, Director
Date 5/12/07

FOR THE RECIPIENT: Mississippi Films Inc

BY: [Signature]
Signature
Timothy S. Anderson Pres
Timothy S Anderson Pres
Date 5-9-09

Report on Special Investigation of the
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Contract Signature

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FOR THE IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT:

BY: _____
Michael L. Tramontina, Director

Date

FOR THE RECIPIENT: Mississippi Films Inc

BY: Timothy S. Anderson
Signature
Timothy S. Anderson Pres
Timothy S Anderson Pres
5-5-09
Date

Report on Special Investigation of the
Film, Television and Video Project Production Program
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Deal Memo – Mississippi Films

From the desk of
Tim Anderson
Mississippi Film Inc.
137 W. Spring
Eldridge, IA 42748
Phone: 563-380-4436
Fax: 323-306-5515
Email: office.mississippifilminc@gmail.com

April 30, 2009

Steve Law
1516 Silver Valley Drive
DeWitt, IA 52742
Email: lawthump@yahoo.com

Dear Steve:

Your time and effort on Five Step Credit are greatly appreciated. The terms of your involvement are listed below:

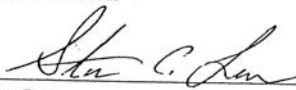
In exchange for your work on the film, you will receive:

\$550 for your work as Set Construction, in the event that the film sells for three hundred thousand dollars or more

If the film sells for less than three hundred thousand dollars, you will receive a proportional cut of the profits.

I am looking forward to working with you on this film,

Tim Anderson



Steve Law

5/7/09
Date

Work Status:

For this film, I elect to work as:

☒ A contract worker

☐ An employee



Steve Law

5/7/09
Date

Report on Special Investigation of the
Film, Television and Video Project Production Program
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Deal Memo – Mississippi Films

Steve Law

1516 Silver Valley Drive
DeWitt, IA 52742
Email: lawthump@yahoo.com

INVOICE

DATE: 4/30/2009
INVOICE # Talent
Job Name 5 Step Credit

BILL TO:

Mississippi Film Inc
Attn: Tim Anderson
137 W. Spring
Eldridge, IA 52748
563-380-4436

DESCRIPTION	AMOUNT
Work on Five Step Credit- Talent	2,750.00
<i>check</i> 1146	

OTHER COMMENTS

SUBTOTAL \$2,750.00
Tax Rate 0.000%
Delayed \$0.00
Deferred \$2,500.00
TOTAL \$250.00

Make all checks payable to
Steve Law

If you have any questions about this invoice, please contact
lawthump@yahoo.com

Thank You For Your Business!