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**Part 2**

# Committee Reviews Only Part of Axanar's Finances

## Member's Resignation Raises Questions About Group's Independence, Expertise

By Carlos Pedraza

Read Part 1: [What's Behind Resignation from Axanar Financial Review?](#)

Amid questions about the independence of Axanar's financial review committee following the [resignation](#) of one of its members, the review may also be fundamentally flawed by the fact the committee examined only part of Axanar's books.

See also: [New Financial Reviewer's Independence](#)

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## 'No Shenanigans'

Meanwhile, producer [Alec Peters](#) continued to confidently predict the committee's report would prove he hadn't spent tens of thousands of donor dollars on personal expenses, including restaurants, mobile phones, gas, health insurance and travel. Those allegations by [CBS](#) and [Paramount Pictures](#)

came from analysis of financial records turned over in discovery.

The two studios, together the owners of the Star Trek franchise, are embroiled in a year-long [copyright infringement](#) lawsuit against Peters and his Axanar Productions.

Though the committee’s review is incomplete and limited in scope, one committee member told **AxaMonitor** he had found “no shenanigans.”



From top: Rubio, Yau, Santiago

### Ties to Axanar

Two of the three people Peters named to the committee had direct ties to Axanar:

- **Cedric Yau**, a Broadway producer and financial analyst, who had donated \$10,000 to Axanar.
- **Milton Santiago**, the cinematographer for *Prelude to Axanar* who was slated as the director of photography for *Axanar*.

The third member was writer-producer **Kevin Rubio**, director of the renowned 1997 Star Wars fan film, *Troops*. Since the lawsuit was filed, Rubio has often defended Axanar in public forums.

## Fundamental Flaws

However, it turned out the committee’s report, meant to reassure donors Axanar’s money was well spent, may have been flawed from the beginning given:

- Peters limited the scope of the financial review.
- Some members’ ties to Axanar might create the perception of conflict of interest.
- Some donors complained their money couldn’t have been well spent if \$1.4 million wasn’t enough to produce the film they were promised.

## Only Part of the Picture

Despite the voluminous amount of financial records they were provided, Peters did not charge the committee to review all of Axanar Productions' books, just the expenses he had attributed — [after the fact](#), according to court documents — to the money directly raised by its [Kickstarter](#) and [Indiegogo](#) campaigns. They were not, according to committee members, given records covering the totality of Axanar Productions Inc.'s finances.

### Donor Funds

Peters portrayed the purpose of the committee's work as only to "give the donors the comfort to know that professionals have reviewed what we were doing and that Axanar was using the donor money correctly,"<sup>1)</sup> rather than truly addressing what federal [Judge R. Gary Klausner](#) ruled was Peters [personally profiting](#) from Axanar's activities.

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**« Independent means they are not employees. And since we have no employees, these people are independent. »** — *Axanar producer Alec Peters*

Left unspoken in Peters' charge to reviewers was that Axanar's other financial activity — including Peters' supposed \$150,000 "donation" — would remain shrouded. In practical terms, that meant the committee only ever examined the portions of Axanar's finances that Peters himself had selected:

The donor financials are a subset of the overall financials. The overall financials represent every dollar spent on Axanar Productions, which includes the more than \$150,000 I have put into this production. Those [overall financials] are the financials that go to the CPA for taxes. The committee reviews [only] the donor financials.<sup>2)</sup>

That distinction wasn't made when Peters announced the review in November 2016, calling it "a group of industry professionals and donors, to review the financials and report back to the entire donor base."<sup>3)</sup>



Axanar producer **Alec Peters**

### \$150,000 Still Undocumented

So even with all his publicity about the independent review, it turns out that Peters' claimed \$150,000

cash infusion was not among the records examined by the committee, remaining undocumented.

Asked whether he'd seen any record of the \$150,000, committee member Yau said, "That's a separate pool. The Alec segment was not a part of what we looked at."

## Committee's 'Independence'

Peters had provided no further information about the committee's scope and timeline, nor what steps would be taken to ensure the committee's independence. In the opposite direction of transparency, for example, Peters required committee members to sign non-disclosure agreements.

Independence was a high priority for Rubio, however, who stated:

We truly are independent, and Ares Studio [Axanar] has complied with all our requests. ... I do not wish there to be an appearance of impropriety or bias one way or the other.<sup>4)</sup>

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**In the corporate world, the independence of those conducting audits is defined as 'not related in any way to the person or firm undergoing the audit.'**

## Defining Independence

While Peters himself said he defined 'independent' merely as 'not employed by Axanar Productions,'<sup>5)</sup> in the corporate world, the independence of those conducting audits is defined a bit more broadly than for Axanar: "Not related in any way to the person or firm undergoing the audit."<sup>6)</sup>

In fact, in his announcement of Santiago's departure, Peters emphasized that his replacement would be "another long term Axanar team member, who has ... an intimate knowledge of Axanar."<sup>7)</sup>



**DISCLOSURE** Rubio and **AxaMonitor**'s Carlos Pedraza collaborated for a short time on the *Star Trek New Voyages* episode, "Enemy Starfleet," shot in 2008. Rubio resigned as director of the episode; Pedraza was first assistant director.

## Bias

The possibility he might not be perceived as truly independent was one reason cited by Santiago for his resignation:

I came to the conclusion that my participation in Axanar ... albeit below the line and specific, could be viewed as a conflict of interest. Given that this exercise was designed for the donors and to give them an honest and independent assessment of Axanar's financial dealings, I made the judgment that my participation in the process could be viewed as biased.<sup>8)</sup>

Read: [Milton Santiago's full statement explaining his resignation](#)

## The Right Expertise

Santiago also stated that even as a filmmaker with two decades' experience, he didn't feel qualified to give Axanar's financials the review they merited from someone trained in budgets and accounting.

I did not judge myself qualified to complete the requested task. ... I found that there were many other areas and line items that I simply did not know enough about to assess the documents competently. I have worked on productions of many sizes and budgets, however, the scope of this particular budget was outside of my comfort zone. Although I was only tasked with reviewing specific parts of the budget, we were asked to look at the expenditures as a whole and so I deemed it inappropriate to continue.<sup>9)</sup>

More than one of the committee members wondered why an actual accountant wasn't conducting, or at least participating in, the review.

## Conclusions

Though the report has not yet been drafted, Yau pronounced himself satisfied "from a major donor standpoint" that no one had "done something they shouldn't have."

Having seen much of the visual effects work for *Axanar*, Yau said he remained optimistic the film would eventually be made. He praised Peters' conduct throughout. "It's a tough situation where you try to do the best you can. I understand the predicament Alec is in," Yau added. "They've done the best I've seen in building a community and a fanbase."

## Disputed Report Release

Yau said Peters had not yet seen a report draft. More than one committee member was surprised to hear Peters publicly announced the report would be released the following week. "We are ... working on our own timeline NOT [Axanar's]," Rubio wrote.<sup>10)</sup>

Even Axanar spokesman Mike Bawden said Peters' timeline might be too optimistic:

There's no need to rush things; Axanar Productions suffered enough from a hastily prepared and non-reviewed "[Annual Report](#)" that mischaracterized a number of expense areas, etc. ... I think the smart money is on not expecting anything anytime soon.<sup>11)</sup>

## Committee Setup

The formation of the committee was announced on Axanar's website on November 18, 2015. According to Yau, the committee:

- Was required to sign non-disclosure agreements.
- Was not paid for its review.
- Met for one day with Peters in Los Angeles. Santiago said he was not present for that meeting.
- Communicated via conference calls and email in compiling the forthcoming report.

- Sent clarification questions by email to Peters.
- Agreed to have Rubio take the lead in drafting the report.



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## Keywords

[commercial](#), [defendants](#), [fact check](#)

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