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**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF UTAH, CENTRAL DIVISION**

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In re:  VIDANGEL, INC.,  Debtor.	Case No. 17-29073  Chapter 11  Judge Kevin R. Anderson
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**DEBTOR'S MOTION FOR ENTRY OF INTERIM AND  
FINAL ORDERS AUTHORIZING THE PAYMENT OF  
CERTAIN PRE-PETITION AND POST-PETITION TAXES  
AND FEES**

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VidAngel, Inc., the above-captioned debtor and debtor-in-possession (the “**Debtor**” or “**VidAngel**”) hereby moves the Court (the “**Motion**”) under sections 105, 363, 507, and 541 of Title 11 of the United States Code (the “**Bankruptcy Code**”) and Rules 6003 and 6004 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”) for entry of interim and final orders (the “**Interim Order**” and “**Final Order**,” respectively) authorizing but not requiring the Debtor to remit and pay certain property, payroll, and other taxes and fees, discussed herein, incurred in the operation of its business. This Motion is supported by the arguments and authorities set forth below, the *Declaration of Patrick Reilly in Support of the Debtor’s Chapter*

*11 Petition and Requests for First-Day Relief* (the “**First-Day Declaration**”), and the entire record before the Court in this Chapter 11 case (this “**Case**”).

**I.**  
**SUMMARY OF RELIEF REQUESTED**

By this Motion, the Debtor requests entry of the Interim Order and Final Order authorizing, but not directing, the Debtor to (a) pay or honor existing, pre-petition obligations for property, payroll, and other taxes and fees, described herein, incurred in the ordinary course of the Debtor’s business, and (b) to continue to pay or honor obligations for property, payroll, and other taxes and fees, described herein, incurred in the ordinary course of the Debtor’s business, regardless of whether those amounts accrued before or after the Petition Date (as defined below). The proposed Interim Order and Final Order are attached hereto as Exhibit A and Exhibit B, respectively.

The statutory predicates for the relief sought herein are Sections 105(a), 363(b), 507(a), and 541 of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004.

**II.**  
**JURISDICTION**

This Court has jurisdiction to consider the relief requested in this Motion under 28 U.S.C. §§ 157 and 1334. This is a core proceeding under 28 U.S.C. § 157(b) and venue is proper in the District of Utah under 28 U.S.C. §§ 1408 and 1409.

**III.**  
**RELEVANT BACKGROUND**

**A. General.**

1. On the date hereof (the “**Petition Date**”), the Debtor filed a voluntary petition for relief under the Bankruptcy Code. The Debtor continues in possession of its properties and is operating and managing its businesses as a debtor-in-possession under sections 1107(a) and 1108

of the Bankruptcy Code. No request has been made for the appointment of a trustee or examiner and a creditors' committee has not yet been appointed in this Case.

2. The Debtor is the worldwide leader in video filtering technology. The Debtor's services allow its subscribers to filter potentially objectionable content (such as profanity, nudity, and violence) in motion pictures (including television shows) and stream such content for its subscribers' private viewing. The Debtor is also an original content provider, and it provides a streaming service to view the content it produces. The Debtor's original comedy series, Dry Bar Comedy, has had more than 16 million minutes viewed in the 7 days prior to the Petition Date. The Debtor's services give subscribers and their families choice over the content they view and share with their families.

3. From late 2014 through late December 2016, VidAngel used a purchase model to provide video to its customers (the "**Disc Ownership Model**"). Under the Disc Ownership Model, VidAngel purchased DVDs and Blu-ray discs and sold them to its customers. VidAngel would decrypt the contents of the purchased discs and stream the content to the owner of such discs, filtered as each customer individually requested. VidAngel's proprietary technology enabled (and required) users to filter the video for various types of potentially objectionable content, which were silenced or deleted when the video was streamed. Once purchased, a customer could opt to sell the video disc back to VidAngel, or keep the actual physical disc, which VidAngel would ship to purchasers, on request, or store for the customer in a secure vault.

4. VidAngel's Disc Ownership Model was popular and growing, with more than 1 million viewers as of December 2016. However, in June 2016, Disney Enterprises, Inc., Lucasfilm Ltd. LLC, Twentieth Century Fox Film Corporation, and Warner Bros. Entertainment Inc. (the "**Studios**") sued VidAngel in the United States District Court for the Central District of California, Case No. 2:16-cv-04109-AB-PLA (the "**Copyright Action**"), for copyright

infringement of approximately 80 of the Studios' copyrighted works. The Studios alleged that VidAngel's decryption of its works was a technical violation of the Digital Millennium Copyright Act ("DMCA"), 17 U.S.C. § 1201(a), and that VidAngel's filtering and streaming violated their exclusive rights to make copies of and publicly perform their works in violation of 17 U.S.C. § 106. On December 12, 2016, the District Court granted the Studios' Motion for a Preliminary Injunction. VidAngel complied with the preliminary injunction, shutting down VidAngel's and its customers' use of the Disc Purchase Model. The Studios have amended their complaint to add additional plaintiffs and allege the infringements of additional motion pictures before pursuing the Copyright Action to a judgment. The Studios rejected VidAngel's Statutory Offer to Allow the Entry of Judgment against it.

5. Six months after the issuance of the preliminary injunction, VidAngel launched a new streaming-based service (the "**Stream-Based Model**"), which avoids any decryption of the Studios' copyrighted works, and does not involve any physical video discs. Subscribers who use the Stream-Based Model select video content from third-party services such as Amazon, Netflix, and HBO using their own accounts with those third-party streaming services.<sup>1</sup> Using VidAngel's proprietary technology, subscribers can elect to have VidAngel remove or silence various types of potentially objectionable content when they view the selected video.

6. To ensure that the new Stream-Based Model does not violate the any provision of the Copyright Act, VidAngel initiated a declaratory relief action in the United States District Court for the District of Utah, Case No. 2:17-cv-00989-EJF (the "**Declaratory Relief Action**"), and named various copyright owners whose copyrighted works might be streamed and filtered. The Declaratory Relief Action is in its early stages, and none of the defendants have answered.

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<sup>1</sup> Users must maintain and pay the third-party content providers directly.

7. At this time, the Debtor requires the breathing space of the Automatic Stay of section 362(a) of the Bankruptcy Code after the disruption of its previous business and to reorganize around the new Stream-Based Model. The Studios are pressing forward with the preliminary injunction in the California District Court, attempting to apply it to enjoin VidAngel's new Stream-Based Model. The Declaratory Relief Action is in its early stages, and the Utah District Court needs an opportunity to consider the issues and confirm that the Stream-Based Model does not violate any rights of motion picture copyright owners. Further, the Stream-Based Model, which is profitable, will provide sufficient revenue to enable the Debtor to reorganize its business and pay its creditors.

**B. Facts Specific to the Motion.**

8. In connection with the operation of its business, the Debtor incurs certain taxes and collects or incurs payroll and employment-related tax obligations (“**Taxes**”) on behalf of various taxing authorities, and is charged fees for licenses and permits, and other similar charges and assessments by various licensing authorities (“**Fees**”). The Taxes and Fees are paid to various taxing and licensing authorities (the “**Authorities**”) on a periodic basis (whether monthly, quarterly, or yearly) that is established for each particular Tax or Fee.

9. VidAngel operates solely within the State of Utah, and currently is only subject to tax under the jurisdiction of the Utah State Tax Commission and the Internal Revenue Service.

10. Although the Debtor believes that it is substantially current with respect to its payment of Taxes and Fees, by this Motion the Debtor seeks authority to make such payments for the following (a) Taxes and Fees that accrue or are incurred after the Petition Date; (b) Taxes and Fees accrued or that were incurred prior to the Petition Date but were not paid as of the Petition Date or were paid in an amount less than owed as of the Petition Date; (c) Taxes and Fees paid pre-petition by the Debtor that were lost or otherwise not received in full by any of the

Authorities; and (d) Taxes and Fees incurred for pre-petition periods that may become due after the commencement of the Case.

11. In addition, the Debtor collects and holds certain outstanding tax liabilities in trust for the benefit of the applicable Authorities (so-called trust fund taxes), which funds generally do not constitute property of the Debtor's estate. These trust fund taxes are discussed next.

**1. Payroll Taxes.**

12. In the ordinary course of the Debtor's business, the Debtor is required to withhold from each Employee and some Contractors and content taggers amounts related to federal, state, and local income taxes, as well as Social Security and Medicare taxes for remittance to the applicable federal, state, or local taxing authorities. In addition, the Debtor is required to pay from its own funds Social Security and Medicare taxes, and, based on a percentage of gross payroll, additional amounts for federal and state unemployment insurance (collectively, "**Payroll Taxes**").

13. In 2016, the Debtor paid \$135,000 in Payroll Taxes. As of the Petition Date, the Debtor estimates that approximately \$10,000 of accrued pre-petition Payroll Taxes remain unpaid. The Debtor seeks authority to any such Payroll Taxes, and to continue to honor and process all obligations with respect to Payroll Taxes on a post-petition basis in the ordinary course of business. Separating the pre-Petition Date amounts from the post-Petition Date amounts would be administratively burdensome and, as described below, would benefit no one.

**2. Property Taxes.**

14. State and local laws in the jurisdictions where the Debtor operates generally grant Authorities the power to levy property taxes against the Debtor's real and personal property ("**Property Taxes**"). To avoid the imposition of statutory liens on its real and personal property,

the Debtor typically pays property taxes in the ordinary course of business on an annual or semi-annual basis.

15. In 2016, Debtor paid approximately \$1,500 in Property Taxes. As of the Petition Date, the Debtor estimates that approximately \$3,500 of accrued pre-petition Property Taxes remain unpaid. The Debtor seeks authority to pay any such Property Taxes and to continue to honor and process all obligations with respect to Property Taxes on a post-petition basis in the ordinary course of business.

**3. Income and Withholding Taxes.**

16. Historically, in the ordinary course of operating its business, the Debtor has incurred state and federal income taxes. For tax year 2016, the Debtor paid \$100 in state and federal income taxes. The Debtor seeks authority to pay any such state and federal income taxes and to continue to honor and process all obligations with respect to state and federal income taxes on a post-petition basis in the ordinary course of business.

17. The Debtor is also required to withhold and remit withholdings for state income taxes for non-residents in certain states in which the Debtor operates (“**Withholding Taxes**”). In 2016, the Debtor paid \$135,000 in Withholding Taxes. As of the Petition Date, the Debtor estimates that approximately \$10,000 of accrued Withholding Taxes remain unpaid. The Debtor seeks authority to pay any such Withholding Taxes, and to continue to honor and process all obligations with respect to Withholding Taxes on a post-petition basis in the ordinary course of business.

**4. Licensing and Permitting Fees**

18. The Debtor incurs a variety of Fees in association with licensing and permitting in the ordinary course of the Debtor’s business. The Debtor remits the Fees to the relevant Authorities on a monthly, quarterly, or annual basis. In general, the Debtor pays such fees to the

appropriate Authorities as the Debtor deems reasonably appropriate for the operation of its business. In 2016, the Debtor paid \$2,000 in licensing and permitting fees.

19. As of the Petition Date, the Debtor estimates that approximately \$500 in Fees remain unpaid. The Debtor seeks authority to pay any such Licensing and Permitting Fees, and to continue to honor and process all obligations with respect to the Fees accrued on a post-petition basis in the ordinary course of business.

**5. Sales and Use Taxes**

20. The Debtor also collects and remits certain taxes arising from the sale, use, and purchase of products, inventory, supplies, or other goods in the Debtor's business (collectively, the "**Sales and Use Taxes**"). As of the Petition Date, the Debtor estimates that approximately \$20,000 in pre-petition Sales and Use Taxes have accrued and remain unpaid for the third quarter filing period (July 1 through September 30). The Debtor seeks authority to pay any such Sales and Use Taxes, and to continue to honor and process all obligations with respect to the Sales and Use Taxes accrued on a post-petition basis in the ordinary course of business. Separating the pre-Petition Date amounts from the post-Petition Date amounts would be administratively burdensome and, as described below, would benefit no one.

**IV.**  
**ARGUMENTS & AUTHORITIES**

The Debtor believes that any failure to pay the Taxes and Fees could materially and severely disrupt the Debtor's business operations in several ways, including: (a) the Authorities may initiate audits of the Debtor, which would unnecessarily divert the Debtor's attention from its efforts in this Case; (b) the Authorities may attempt to suspend the Debtor's operations, file liens, seek to lift the automatic stay, and/or pursue other remedies that will harm the estate; (c) certain of the Debtor's members could be subject to claims of personal liability, which would

likely distract those key individuals from their duties related to the Debtor and could cause the Debtor's estate to incur indemnification liability or deplete insurance policy proceeds; and (d) unpaid Taxes and Fees may result in penalties, the accrual of interest, or both, resulting in additional liabilities to the detriment of the Debtor's estate and its creditors. In addition, the Debtor collects and holds certain outstanding tax liabilities in trust for the benefit of the applicable Authorities, and these funds generally do not constitute property of the Debtor's estate.

**A. Certain of the Taxes May Not Be Property of the Debtor's Estate.**

Section 541(d) of the Bankruptcy Code provides, in relevant part, that “[p]roperty in which the debtor holds, as of the commencement of the case, only legal title and not an equitable interest . . . becomes property of the estate under subsection (a)(1) or (2) of this section only to the extent of the debtor's legal title to such property, but not to the extent of any equitable interest in such property that the debtor does not hold.” 11 U.S.C. § 541(d).

Many of the Taxes are collected or withheld by the Debtor on behalf of the applicable Authorities and are held in trust by the Debtor. As such, these Taxes are not property of the Debtor's estate under Section 541 of the Bankruptcy Code. *See, e.g., Begier v. Internal Revenue Serv.*, 496 U.S. 53, 66 (1990) (holding that funds paid from a debtor's general account to satisfy certain tax obligations were not “property of the debtor”); *DiChiaro v. N.Y. State Tax Comm'n*, 760 F.2d 432, 433–34 (2d Cir. 1985) (holding that a sales tax that is required by state law to be collected by sellers from their customers is a “trust fund” tax); *City of Farrell v. Sharon Steel Corp.*, 41 F.3d 92, 97 (3d Cir. 1994) (holding that income required to be withheld by city ordinance and state law is held “in trust” for the taxing authority); *In re Equalnet Comm. Corp.*, 258 B.R. 368, 370 (Bankr. S.D. Tex. 2000) (“[C]ertain prepetition tax claims, such as sales taxes, could be trust fund claims.”). Because the Debtor may not have any equitable interest in funds

held on account of such “trust fund” taxes, the Debtor should be permitted to pay those funds to the Authorities as they come due.

**B. Certain Taxes May Constitute Secured or Priority Claims Entitled to Special Treatment.**

Payment of certain of the Taxes also likely would give the Authorities no more than what they otherwise would be entitled to receive under a Chapter 11 plan. As such, payment at this time will save the Debtor interest expense, legal expense, and other penalties that otherwise might accrue on the Taxes during the pendency of this Case.

Section 507(a)(8) of the Bankruptcy Code provides that claims entitled to priority status include unsecured claims of governmental units on account of the following: (a) taxes on or measured by income or gross receipts for a taxable year ending on or before the petition date, for which a return, if required, is last due after three years prior to the petition date, and which is assessed within 240 days before the petition date; (b) property taxes incurred before the petition date and last payable without penalty after one year before the petition date; and (c) taxes required to be collected or withheld and for which the debtor is liable in whatever capacity. *See* 11 U.S.C. § 507(a)(8).

Certain of the Taxes also may be the subject of tax liens, including the Property Taxes. The relation back of a tax lien to the assessment or tax status date generally does not affect the enforceability of the tax lien against a debtor or violate the automatic stay imposed by Section 362(a) of the Bankruptcy Code. *See* 11 U.S.C. § 362(b)(3). In fact, the creation and perfection of such a lien may not violate the automatic stay even if the lien relates to tax obligations owed after the petition date. *See* 11 U.S.C. § 362(b)(18) (automatic stay does not apply to “the creation or perfection of a statutory lien for an ad valorem property tax, or a special tax or special

assessment on real property whether or not ad valorem, imposed by a governmental unit, if such tax or assessment comes due after the date of the filing of the petition”).

As such, payment of the Taxes in the ordinary course of the Debtor’s business does not prejudice unsecured creditors because any such claims may qualify for priority status under the Bankruptcy Code and would otherwise be entitled to payment prior to any distributions to unsecured creditors.

Indeed, without the relief requested herein, the Authorities may hold over-secured claims against the Debtor’s estate related to the Taxes, which may accrue interest during the pendency of this Case. *See* 11 U.S.C. § 506(b); *United States v. Ron Pair Enters., Inc.*, 489 U.S. 235, 241-43 (1989) (nonconsensual lienholders may receive interest on their claims under Bankruptcy Code Section 506(b)). If the Debtor is required to pay interest on such claims, Section 511 of the Bankruptcy Code provides that “the rate of interest shall be the rate determined under applicable non-bankruptcy law,” which rate may exceed prevailing market interest rates by a considerable degree. *See* 11 U.S.C. § 511(a). In addition, the recording of liens on the Debtor’s properties and assets may interfere with the process already in progress to sell the Debtor’s assets under Section 363 of the Bankruptcy Code.

Prompt payment of the Taxes eliminates the potential burden on the Debtor’s estate of paying above-market interest on such claims, and prevents difficulties that might interfere with the marketing of the Debtor’s assets from arising. Because the requested relief likely affects only the timing of the payment for the vast majority of the amounts at issue, and to avoid incurring unnecessary interest, penalties, and additional costs, the Debtor should be authorized to pay the Taxes, to the extent owed, in the ordinary course and without delay.

C. **Payment of the Taxes and Fees is Appropriate Under Sections 105(a) and 363 of the Bankruptcy Code.**

The payment of existing and future tax obligations merely continues the Debtor's "ordinary course of business" and, therefore, should not require Court approval. 11 U.S.C. § 363(c)(1). "The touchstone of 'ordinariness' is . . . the interested parties' reasonable expectations of what transactions the debtor in possession is likely to enter in the course of its business. So long as the transactions conducted are consistent with these expectations, creditors have no right to notice and hearing . . . ." *In re James A. Phillips, Inc.*, 29 B.R. 391, 394 (Bankr. S.D.N.Y. 1983). *See also In re Husting Land & Dev., Inc.*, 255 B.R. 772, 779-80 (Bankr. D. Utah 2000), *aff'd*, 274 B.R. 906 (D. Utah 2002) (concluding that the test set forth in *Phillips* is "the appropriate legal standard to apply in determining whether [the] debt owed . . . was incurred in the ordinary course of business"). The payment of the Taxes and Fees associated with the operation of Debtor's business occurs in the ordinary course of that business. *See In re Morris*, 53 B.R. 190 (Bankr. D. Or. 1985) (holding that the payment of tax obligations was occurred in the ordinary course of business).

However, to the extent that payment of Taxes and Fees incurred pre-petition could be viewed as the use of property outside the ordinary course of business, this Court may authorize the debtor to "use, sell, or lease, other than in the ordinary course of business, property of the estate," 11 U.S.C. § 363(b)(1), if there is a sound business purpose to justify such action. *See Dai-Ichi Kangyo Bank, Ltd. v. Montgomery Ward Holding Corp. (In re Montgomery Ward Holding Corp.)*, 242 B.R. 147, 153 (Bankr. D. Del. 1999) ("In determining whether to authorize the use, sale or lease of property of the estate under [Section 363], courts require the debtor to show that a sound business purpose justified such actions."); *see also In re Ionosphere Clubs, Inc.*, 98 B.R. 174, 175 (Bankr. S.D.N.Y. 1989) ("[T]he debtor must articulate some business

justification, other than mere appeasement of major creditors, for using, selling or leasing property out of the ordinary course of business, before the court may permit such disposition under § 363(b).”).

The Court may also grant the relief requested in the Motion by relying on its general equitable powers, as codified in Section 105(a) of the Bankruptcy Code. Section 105(a) empowers the Court to “issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.” 11 U.S.C. § 105(a). Courts have consistently held that Section 105(a) authorizes the Court to exercise its broad grant of equitable powers to permit the payment of certain pre-petition obligations when such payment is necessary to the continued operation of the debtor’s business. *See Burchinal v. Cent. Wash. Bank (In re Adams Apple, Inc.)*, 829 F.2d 1484, 1490 (9th Cir. 1987) (holding that “unequal treatment of pre-petition debts when necessary for rehabilitation” is appropriate); *In re Cont’l Air Lines, Inc.*, 780 F.2d 1223, 1226 (5th Cir. 1986) (“[F]or the debtor-in-possession or trustee to satisfy its fiduciary duty to the debtor, creditors and equity holders, there must be some articulated business justification for using, selling, or leasing the property outside the ordinary course of business.”). This “doctrine of necessity” is designed to foster a debtor’s rehabilitation, which courts have recognized is “the paramount policy and goal of Chapter 11.” *Ionosphere Clubs*, 98 B.R. at 176.

The Debtor’s ability to pay the Taxes and Fees is critical to its continued and uninterrupted operations. If the Debtor’s Taxes remain unpaid, the Authorities may seek to impose penalties and additional liabilities on the Debtor, resulting in increased liability, which amounts may also be entitled to priority treatment. Such a result would be contrary to the best interests of the Debtor’s estate and all stakeholders, including the Debtor’s unsecured creditors.

The Authorities may also attempt to recover unpaid Taxes directly from the Debtor’s members or employees, thereby distracting these key personnel from the administration of the

Debtor's Case. *See, e.g., In re Am. Motor Club, Inc.*, 139 B.R. 578, 581–83 (Bankr. E.D.N.Y. 1992) (stating “[i]f the employer fails to pay over the trust fund taxes, the IRS may collect an equivalent amount directly from officers or employees of the employer who are responsible for collecting the tax” and finding director personally liable for unpaid taxes) (citing *United States v. Energy Res. Co.*, 495 U.S. 545, 547 (1990)). Any collection action on account of such claims would distract the Debtor and its personnel to the detriment of all parties-in-interest, and may require the Debtor to indemnify such personnel and expend additional resources thereby.

Moreover, the Debtor's failure to pay some of the Fees could result in a loss of the Debtor's licenses and permits, which, in turn, could force the Debtor to cease its operations entirely or subject itself to fines for operation without appropriate licenses and fees.

The requested relief benefits the estate by avoiding the accrual of post-petition interest and other penalties and costs that could be owed due to the classification of the Taxes as priority or secured claims, thereby reducing the Debtor's obligations to the Authorities. The payment of the Fees will allow the Debtor to continue in its operation without incurring fines. For these reasons, and the additional reasons discussed above, the Debtor's payment of the Taxes and Fees is an exercise of sound business judgment, is necessary to the operation of its business, is necessary to permit a successful Chapter 11 process, and should be authorized by the Court.

**D. Cause Exists to Authorize the Debtor's Financial Institutions to Honor Checks and Electronic Fund Transfers.**

The Debtor has sufficient funds to pay the amounts described herein in the ordinary course of business by virtue of expected cash flows from ongoing business operations, and anticipated post-petition financing and access to cash collateral. Also, under the Debtor's existing cash management system, the Debtor can readily identify checks, wire transfers, drafts, ACH debits, and other transfers drawn on the Debtor's bank accounts as relating to an authorized

payment in respect of the Taxes and Fees. Accordingly, the Debtor believes that pre-petition payments not authorized by the Court will not be honored inadvertently. Therefore, the Debtor respectfully requests that the Court authorize all applicable financial institutions, when requested by the Debtor, to receive, process, honor, and pay any and all checks, wire transfers, drafts, ACH debits, and other transfers drawn on the Debtor's bank accounts in respect of the relief requested herein.

**V.**  
**SATISFACTION OF BANKRUPTCY RULE 6003**

Bankruptcy Rule 6003 empowers this Court to grant relief regarding a motion to pay all or part of a pre-petition claim within 21 days after the Petition Date if the relief is necessary to avoid immediate and irreparable harm. Immediate and irreparable harm exists where the absence of relief would impair the Debtor's ability to reorganize or threaten its future as a going concern. *See In re WorldSpace, Inc.*, No. 08-12412 (PJW), 2008 WL 8153639, at \*2 (Bankr. D. Del. Oct. 20, 2008) (granting emergency motions for post-petition financing, adequate protection, and modification of the stay where the court found that the relief was necessary to avoid irreparable harm to the debtors and their estates because such relief was essential for the continued operations of the debtors' businesses); *see also In re Ames Dep't Stores, Inc.*, 115 B.R. 34, 36 n.2 (Bankr. S.D.N.Y. 1990) (finding that "immediate and irreparable harm" exists where loss of the business threatens the ability to reorganize).

Immediate and irreparable harm would result if the relief requested herein were not granted. As described above, payment of the Taxes and Fees is integral to the Debtor's business, given that the Debtor's failure to timely pay such obligations may (a) result in the loss of the Debtor's operating licenses, (b) give the Authorities grounds to interfere with the Debtor's operations, and (c) expose the Debtor and its members to potential liability under the applicable

laws in certain jurisdictions. Accordingly, the Debtor submits that it has satisfied the requirements of Bankruptcy Rule 6003.

**VI.**  
**DEBTOR'S RESERVATION OF RIGHTS**

Nothing contained herein is intended or should be construed as an admission as to the validity of any claim against the Debtor, a waiver of the Debtor's rights to dispute any claim, or an approval or assumption of any agreement, contract, or lease under Section 365 of the Bankruptcy Code. Likewise, if this Court grants the relief sought herein, any payment made pursuant to the Court's order is not intended and should not be construed as an admission as to the validity of any claim or a waiver of the Debtor's rights to dispute such claim at a later date.

**VII.**  
**NOTICE**

The Debtor has provided notice of this Motion to (a) the Office of the United States Trustee for the District of Utah; (b) the entities listed on the List of Creditors Holding the 20 Largest Unsecured Claims filed pursuant to Bankruptcy Rule 1007(d); and (c) all ECF notice parties and parties who have requested notice on the Court's docket. In light of the nature of the relief requested in this Motion, the Debtor respectfully submits that no further notice is necessary.

**VIII.**  
**CONCLUSION**

For the reasons stated above, the Debtor requests that the Court grant the Motion and enter the Interim Order lodged herewith and, after holding the Final Hearing, the Final Order.

Respectfully submitted,

/s/ Brian M. Rothschild

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Brian M. Rothschild

J. Thomas Beckett

**PARSONS BEHLE & LATIMER**

*Proposed Attorneys for VidAngel, Inc.*

**Exhibit A**

**Proposed Interim Order**

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**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF UTAH, CENTRAL DIVISION**

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In re:

VIDANGEL, INC.,

Debtor,

Case No. 17-29073

Chapter 11

Judge Kevin R. Anderson

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**INTERIM ORDER GRANTING DEBTOR'S MOTION  
AUTHORIZING THE PAYMENT OF CERTAIN PRE-PETITION  
AND POST-PETITION TAXES AND FEES**

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Upon the motion (the “**Motion**”)<sup>1</sup> filed by the above-captioned debtor and debtor-in-possession (the “**Debtor**”) seeking entry of an order authorizing the Debtor to pay pre-petition taxes and fees, if any, and continue to pay such taxes and fees in the ordinary course of business; and the Court, having reviewed the Motion and having heard the statements of counsel in support of the relief requested in the Motion at the hearing before the Court (the “**Hearing**”), finds that the Court has jurisdiction over this matter under 28 U.S.C. §§ 157 and 1334, that this is a core matter under 28 U.S.C. § 157(b)(2), that notice of the Motion and the Hearing were sufficient under the circumstances and that no further notice need be given; and the legal and factual bases

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<sup>1</sup> Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion.

set forth in the Motion and at the Hearing establish just cause for the relief granted herein and that such relief is necessary to avoid immediate and irreparable harm to the Debtor's estate,

THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED on an interim basis to the extent provided herein pending the hearing on the Final Order granting the Motion.

2. Any objection to the Motion must be filed in the Court and served on counsel to the Debtor so that such objection is received no later than **October 31, 2017, at 5:00 p.m. (Prevailing Utah Time)** (the "**Objection Deadline**"). If any party in interest files an objection, the Court will hold a hearing on the relief sought in the Motion on a final basis on **November 14, 2017, at 10:00 a.m. (Prevailing Utah Time)** (the "**Final Hearing**") at the United States Bankruptcy Court, Frank E. Moss, U.S. Courthouse, 350 South Main Street, Courtroom 376, Salt Lake City, Utah 84101. If no objections are filed to the Motion, this Court may enter a Final Order on the Motion without holding the Final Hearing.

3. Entry of this Interim Order is without prejudice to the rights of any party in interest to interpose an objection to the Motion, and any such objection will be considered on a *de novo* basis at the final hearing.

4. In the interim, the Debtor is authorized and empowered to take all actions necessary to implement the relief granted in this Interim Order.

5. The Debtor is authorized, but not required, to remit and pay (or use tax credits to offset) the Taxes and Fees that accrued prior to the Petition Date and that will become payable during the pendency of this Chapter 11 case and remit and pay (or use tax credits to offset) Taxes and Fees that arise or accrue in the ordinary course of business on a post-petition basis.

6. The banks and financial institutions on which checks were drawn or electronic payment requests made in payment of the pre-petition and post-petition obligations approved

herein are authorized and directed to receive, process, honor, and pay all such checks and electronic payment requests when presented for payment, and all such banks and financial institutions are authorized to rely on the Debtor's designation of any particular check or electronic payment request as approved by this Interim Order.

7. The Debtor is authorized to issue post-petition checks, or to effect post-petition fund transfer requests, in replacement of any checks or fund transfer requests that are dishonored as a consequence of this Chapter 11 case with respect to pre-petition amounts owed in connection with any Taxes and Fees.

8. Notwithstanding the relief granted in this Interim Order and any actions taken pursuant to such relief, nothing in this Interim Order shall be deemed (a) an admission as to the validity of any pre-petition claim against a Debtor entity, (b) a waiver of the Debtor's or any other party-in-interest's rights to dispute any pre-petition claim on any grounds, (c) a promise or requirement to pay a pre-petition claims, (d) an implication or admission that any particular claim is of a type specified or defined in the Motion or any order granting the relief requested by this Motion, (e) a request or authorization to assume any pre-petition agreement, contract, or lease under Section 365 of the Bankruptcy Code, or (f) a waiver of the Debtor's or any other party-in-interest's rights under the Bankruptcy Code or any other applicable law.

9. Rule 6003 of the Bankruptcy Rules has been satisfied to the extent applicable.

10. Notwithstanding Bankruptcy Rules 6004, 7062, or 9014, the terms and conditions of this Order shall be immediately effective upon its entry.

11. The Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

**[END OF DOCUMENT]**

**Exhibit B**

**Proposed Final Order**

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**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF UTAH, CENTRAL DIVISION**

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In re:

VIDANGEL, INC.,

Debtor,

Case No. 17-29073

Chapter 11

Judge Kevin R. Anderson

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**FINAL ORDER AUTHORIZING THE PAYMENT OF CERTAIN  
PRE-PETITION AND POST-PETITION TAXES AND FEES**

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Upon the motion (the “**Motion**”)<sup>1</sup> filed by the above-captioned debtor and debtor-in-possession (the “**Debtor**”) seeking entry of an order authorizing the Debtor to pay pre-petition and post-petition taxes and fees; and the Court, having reviewed the Motion and having heard the statements of counsel in support of the relief requested in the Motion at the hearing before the Court (the “**Hearing**”), finds that the Court has jurisdiction over this matter under 28 U.S.C. §§ 157 and 1334, that this is a core matter under 28 U.S.C. § 157(b)(2), that notice of the Motion and the Hearing were sufficient under the circumstances and that no further notice need be given; and the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein and that such relief is necessary to avoid immediate and irreparable harm to the Debtor’s estate,

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<sup>1</sup> Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion.

THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED as provided herein on a final basis.
2. The Debtor is authorized, but not required, to remit and pay (or use tax credits to offset) the Taxes and Fees that accrued prior to the Petition Date and that will become payable during the pendency of this Chapter 11 case and remit and pay (or use tax credits to offset) Taxes and Fees that arise or accrue in the ordinary course of business on a post-petition basis.
3. The banks and financial institutions on which checks were drawn or electronic payment requests made in payment of the pre-petition or post-petition obligations approved herein are authorized and directed to receive, process, honor, and pay all such checks and electronic payment requests when presented for payment, and all such banks and financial institutions are authorized to rely on the Debtor's designation of any particular check or electronic payment request as approved by this Final Order.
4. The Debtor is authorized to issue post-petition checks, or to effect post-petition fund transfer requests, in replacement of any checks or fund transfer requests that are dishonored as a consequence of this Chapter 11 case with respect to pre-petition amounts owed in connection with any Taxes and Fees.
5. Notwithstanding Bankruptcy Rules 6004(h), 7062, or 9014, the terms and conditions of this Order shall be immediately effective upon its entry.
6. The Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

**[END OF DOCUMENT]**