

J. Thomas Beckett, USB #5587
Brian M. Rothschild, USB #15316
Grace S. Pusavat, USB #15713
PARSONS BEHLE & LATIMER
201 South Main Street, Suite 1800
Salt Lake City, Utah 84111
Telephone: 801.532.1234
Facsimile: 801.536.6111
TBeckett@parsonsbehle.com
BRothschild@parsonsbehle.com
GPusavat@parsonsbehle.com
ecf@parsonsbehle.com

Attorneys for VidAngel, Inc.

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

In re:

VIDANGEL, INC.,

Debtor.

Case No. 17-bk-29073-KRA

Chapter 11

Judge Kevin R. Anderson

**DEBTOR'S SUPPLEMENTAL MOTION FOR ENTRY OF
ORDER (1) AUTHORIZING DEBTOR'S CONTINUING
USE OF CASH MANAGEMENT SYSTEMS, INCLUDING
CREDIT CARDS AND (2) GRANTING RELATED
RELIEF**

VidAngel, Inc., the above-captioned debtor and debtor-in-possession (the “**Debtor**” or “**VidAngel**”) hereby moves the Court (the “**Motion**”) under Section 364(a) of Title 11 of the United States Code (the “**Bankruptcy Code**”) for entry of a final order (the “**Final Order**”) (1) authorizing but not directing the Debtor to use a portion of cash reserves as security/collateral against future charges on the Debtor’s credit cards, and (2) granting such further relief as is required to effectuate the foregoing.

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

1. The Court previously entered interim and final orders granting Debtor's Motion for order (1) authorizing continued use of bank accounts, business forms, cash management system, and pre-petition customer credit program, (2) waiving certain investment and deposit guidelines, and (3) granting related relief. (Dkt. No. 93).

2. The Debtor's previous motion neglected to include a discussion regarding the use of cash as collateral against future charges to its credit cards. The Debtor currently has six credit cards, and averages \$20,000 in expenses on the cards per month (the "**Credit Cards**"). The continued use of these Credit Cards is important for accurate reporting and control of the Debtor's expenses. For credit cards, unlike debit cards, banks produce detailed charge reports in which each line item contains detailed information for each expense incurred, including date and time, the identity of the user and other information that the Debtor uses to track its expenses. The Credit Card balances are always paid in full each month. For ease of use, the Debtor requests permission to segregate some of its cash in an account, approximately \$75,000, as collateral against future charges on its Credit Cards, and to add and remove cards as needed in the ordinary course of its business.

II.
JURISDICTION

3. This Court has jurisdiction to consider the relief requested in this Motion under 28 U.S.C. §§ 157 and 1334. Venue is proper in the District of Utah under 28 U.S.C. §§ 1408 and 1409.

III.
RELEVANT BACKGROUND

A. General.

4. On October 18, 2017 (the “**Petition Date**”), the Debtor filed a voluntary chapter petition under the Bankruptcy Code. The Debtor continues to operate its business and manage its property as a debtor-in-possession under sections 1107 and 1108 of the Bankruptcy Code.

5. No trustee or examiner has been appointed in this case. No committee of unsecured creditors or other official committee has been appointed in this case.

6. The Debtor is the worldwide leader in video filtering technology through a Stream-Based Service. The Debtor’s service allows 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 “**Services**”). The Debtor is also an original content provider, and it provides a streaming service to view the content it produces. The Services gives subscribers choices for the content they view and share with their families.

7. The Debtor continues to operate its facilities in Provo, Utah.

8. The Debtor currently employs approximately 40 people while operating its business in the normal course.

B. Facts Specific to the Motion.

9. The Debtor maintains six Zions Bank Credit Cards.

10. The Debtor charges mainly travel, software, and utility expenses on its Credit Cards.

11. In many cases, credit card payment is the only form of payment accepted by the vendor providing the service.

12. The Debtor's Credit Cards are also used as a form of expense management and tracking by the Debtor. With individual accountability for the charges on each card, the Debtor is able to better track and document spending.

13. Zion's Bank, the issuer of the Credit Cards, has raised the issue of whether continued use is permitted and authorized under the Bankruptcy Code. Zion's Bank refuses to continue to allow the Debtor to use its Credit Cards unless the Court specifically authorizes it.

14. Since the Petition Date, the Debtor has paid off the cards in full in each month, and plans to continue to do so in the future.

IV.
ARGUMENTS & AUTHORITIES

The Court should exercise its authority in this Case because “[a] debtor in possession under Chapter 11 is generally authorized to continue operating its business.” *In re Amdura Corp.*, 75 F.3d 1447, 1453 (10th Cir. 1996) (citing 11 U.S.C. §§ 363(c)(1), 1107, 1108). Here, an order permitting the Debtor to use a portion of its cash as security/collateral against future charges on the Credit Cards is both necessary and appropriate to ensure the efficient post-petition administration of the Debtor's estate and to mitigate the risk of counterproductive harm to the value of the estate.

The Debtor believes that continued use of the Credit Cards falls squarely within authority already granted to the debtor in possession under Section 364(a) of the Bankruptcy Code. “If the trustee is authorized to operate the business of the debtor under section 721, 1108, 1203, 1204, or

1304 of this title, unless the court orders otherwise, the trustee may obtain unsecured credit and incur unsecured debt in the ordinary course of business allowable under section 503(b)(1) of this title as an administrative expense.” 11 U.S.C § 364(a) (emphasis added).

Furthermore, the Debtor has no unsecured creditors (*See* Sch. D.), and so the strictures regarding the use of cash collateral in section 363 of the Bankruptcy Code do not apply.

While the Debtor believes that it does not need this authority, Zion’s Bank, the credit card issuer, refuses to allow the Debtor to continue without specific authorization from the Court.

A. Maintenance of the Debtor’s Existing Cash Management System Is in the Best Interest of the Estate.

Permitting the Debtor to use approximately \$75,000 of its cash as security and collateral against future charges on the Credit Cards permits the Debtor to continue to benefit from its existing efficient Cash Management System. This Court previously approved an order permitting the Debtor to maintain its existing Cash Management System, but it failed to provide detail and seek specific permission for the use of its Credit Cards. Zion’s Bank, the issuer of the Credit Cards, has raised the issue of whether continued use is permitted and authorized under the Bankruptcy Code, and refuses to allow it to continue. The Debtor’s Cash Management System, including the use of the Credit Cards, allows it to (a) control and monitor corporate funds; (b) ensure cash availability; and (c) reduce administrative expenses by facilitating the movement of funds and the development of timely and accurate balance and presentment information. Permitting the Debtor to use a portion of its cash as security and collateral against future charges on the Credit Cards permits will assist the Debtor in its effort to maintain its operations and the value of its estate as a going concern and confirmation of a Chapter 11 plan. Conversely, denying this Motion may harm the Debtor’s ability to continue its business in the ordinary course. It will make expenses more difficult to track and will cause the Debtor’s in-house accountants additional

work and headache. Furthermore, a denial of this Motion would unnecessarily disrupt the Debtor's business operations, force the Debtor's limited and already overburdened staff to re-create an already functioning system, burden the estate with additional post-petition professionals' expenses in order to comply, all at a potentially high cost to its estate.

V.
NOTICE

The Debtor has provided notice of this Motion to 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.

VI.
CONCLUSION

For the reasons stated above, the Debtor requests a final orders (1) authorizing but not directing the Debtor to use a portion of cash reserves as security/collateral against future charges on the Debtor's Credit Cards, and (2) granting such further relief as is required to effectuate the foregoing. The Debtor requests that the Court grant the Motion and enter the proposed order attached as Exhibit A hereto).

Dated this 6th day of November, 2018.

Respectfully submitted,

/s/ Brian M. Rothschild

J. Thomas Beckett

Brian M. Rothschild

Grace S. Pusavat

PARSONS BEHLE & LATIMER

Proposed Attorneys for VidAngel, Inc.

Exhibit A

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

In re:

VIDANGEL, INC.,

Debtor,

Case No. 17-bk-29073-KRA

Chapter 11

Judge Kevin R. Anderson

**ORDER (1) AUTHORIZING DEBTOR'S CONTINUING
USE OF CASH MANAGEMENT SYSTEMS, INCLUDING
CREDIT CARDS AND (2) GRANTING RELATED
RELIEF**

Upon the motion (the “**Motion**”)¹ filed by the above-captioned debtor and debtor-in-possession (the “**Debtor**”) seeking entry of an order (1) authorizing but not directing the Debtor to use a portion of cash reserves as security/collateral against future charges on the Debtor’s credit cards, and (2) granting such further relief as is required to effectuate the foregoing; and the Court, having reviewed the Motion, finds that the Court has jurisdiction over this matter under 28 U.S.C. §§ 157 and 1334, that notice of the Motion and the notice and opportunity for a hearing were sufficient under the circumstances and that no further notice need be given; and that no objections have been filed and, if any objections have been filed, all such objections are hereby overruled, and the legal and factual bases set forth in the Motion establish just cause for the relief granted

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

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** as provided herein.
2. The Debtor is authorized, but not directed to, use up to \$75,000 of cash reserves as security and collateral against future charges on the Debtor's credit cards.
3. The Debtor may continue using the credit cards in the ordinary course of its business.
4. The Debtor is authorized to add and remove credit cards as necessary in the ordinary course of business.
5. Notwithstanding Bankruptcy Rules 6004(h), 7062, or 9014, the terms and conditions of this Order shall be immediately effective upon its entry. This Order shall be binding on the Debtor's successors and assigns, including, without limitation, any trustee that may be appointed in this chapter 11 case.
6. The Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

[END OF DOCUMENT]