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Co.*

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

In re:

VIDANGEL, INC.,

Debtor.

Case No. 17-29073

Chapter 11

Judge Kevin R. Anderson

**MOVANTS' RESERVATION OF RIGHTS TO THE DEBTOR'S SECOND INTERIM
APPLICATION OF PARSONS BEHLE & LATIMER, COUNSEL TO DEBTOR
VIDANGEL, INC. FOR FINAL ALLOWANCE OF COMPENSATION AND
REIMBURSEMENT OF EXPENSES (DKT. 259)**

The California Plaintiffs,¹ all of which are creditors holding substantial unliquidated unsecured claims against the estate, respectfully submit this Reservation of Rights (the “Reservation”) to Debtor VidAngel, Inc.’s (“VidAngel”) Second Interim Application of Parsons Behle & Latimer (“Parsons Behle”), Counsel to Debtor VidAngel, Inc. for Final Allowance of Compensation and Reimbursement of Expenses (Dkt. 259) (“Application”)², filed on December 17, 2018 and set for hearing on January 29, 2019 at 10:00 am.

RESERVATION OF RIGHTS

The Application demonstrates that while claiming the protections of the automatic stay afforded by the Bankruptcy Code, VidAngel was using bankruptcy counsel to provide advice regarding VidAngel’s strategy in litigating the copyright cases, then pending before the Utah District Court, and before the District Court for the Central District of California. California Plaintiffs hereby reserve their right to object to final allowance and/or seek disgorgement of interim fees and costs awarded before any counsel’s fees and costs are awarded on a final basis.

The Applications include a number of time entries directed at VidAngel’s copyright litigation before the District Courts, rather than this Bankruptcy Proceeding:

- 3/29/2018: Alan S. Mouritsen - Conference with B. Rothschild regarding best strategy to get legal ruling on permissibility of current streaming model.
- 3/29/2018: Brian M. Rothschild - Work with A. Mouritsen on civil procedure issues in District Court litigation.
- 3/30/2018: Alan S. Mouritsen - Research case law and rules to determine best method to secure ruling on permissibility of current streaming model.

¹ Disney Enterprises, Inc., Lucasfilm Ltd. LLC, Twentieth Century Fox Film Corporation, Warner Bros. Entertainment Inc., MVL Film Finance LLC, New Line Productions, Inc. and Turner Entertainment Co. (collectively, the “California Plaintiffs”).

² Although the Application states that it is for “Final Allowance,” because this is only an interim application, California Plaintiffs understand that fees and costs will not be determined on a final basis until after plan confirmation. California Plaintiffs object to any premature “final” award.

- 5/21/2018: Brian M. Rothschild - Strategy and correspondence regarding district court litigation.
- 5/29/2018: Brian M. Rothschild - Call with J. Marquart about litigation strategy (.1); review litigation cases statuses and consider options (.8).
- 7/06/2018: Grace S. Pusavat - Analyze Ex Parte Motion for TRO.
- 7/27/2018: Brian M. Rothschild - Review memorandum decision and analysis of strategic options.
- 7/30/2018: J. Thomas Beckett - Review Judge Nuffer decision on jurisdiction (.7); conference call with client team regarding litigation strategy (1.1); post-call conference with T. Beckett [sic] and G. Pusavat (.1).
- 7/30/2018: Grace S. Pusavat - Conference call with client team regarding litigation strategy (1.1); post-call conference with T. Beckett and B. Rothschild (.1).
- 7/30/2018: Brian M. Rothschild - Conference call with client team regarding litigation strategy (1.1); post-call conference with T. Beckett and G. Pusavat (.1).
- 8/15/2018: Brian M. Rothschild - Strategy call with D. Quinto, B. Grace, and J. Marquart (.7).

These time entries are outside of the scope of Parson Behle's permissible representation of VidAngel as defined by the Debtor's Application for Interim and Final Order Authorizing the Employment and Retention of Parsons Behle & Latimer as Attorneys for the Debtor (Dkt. 12) ("Application for Employment"). The scope of Parsons Behle's representation, as defined in the Application for Employment, is limited to this Bankruptcy Proceeding and does not include legal services related to VidAngel's copyright litigation in the Utah District Court or District Court for the Central District of California.

In addition, the amount of fees incurred by Parsons Behle in both opposing California Plaintiffs' Motion for Relief from the Stay and in briefing why VidAngel's Adversary Complaint should not be dismissed are excessive in light of VidAngel's likelihood of success.

While this Reservation of Rights does not, at this time, oppose the interim approval of the Application, California Plaintiffs may seek to oppose certain of Parsons Behle's, or VidAngel's other counsels' requested fees at the time that any such fees or costs are determined on a final basis. As the California Plaintiffs have advocated consistently, VidAngel should not be permitted to use this Court as a vehicle to further its litigation strategy against California Plaintiffs in other fora.

CONCLUSION

California Plaintiffs object to any "final" allowance as inappropriate and hereby reserve their right to object to final approval and/or seek disgorgement of interim fees awarded.

DATED this 3rd day of January, 2019.

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/s/ Michael R. Johnson
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Attorneys for the California Plaintiffs

CERTIFICATE OF SERVICE

I hereby certify that on this 3rd day of January, 2019, I electronically filed the foregoing *Reservation of Rights to Debtor VidAngel, Inc.'s Second Interim Application of Parsons Behle & Latimer, Counsel to Debtor VidAngel, Inc. for Final Allowance of Compensation and Reimbursement of Expenses (Dkt. 259)* with the Clerk of Court using the CM/ECF system, which sent notification of such filing to the electronic filing users in this case as follows:

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/s/ Dianne Burton