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

In re:	Case No. 17-29073
VIDANGEL, INC.,	Chapter 11
Debtor.	Judge Kevin R. Anderson

DEBTOR'S DISCLOSURE STATEMENT FOR ITS PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

VidAngel, Inc. ("VidAngel" or the "Debtor"), debtor and debtor in possession in the above-captioned chapter 11 case, by and through its counsel, hereby presents its Disclosure

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Statement (this "Disclosure Statement") for its proposed Plan of Reorganization (the "Plan") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code").[1]

To VidAngel's Creditors and Customers:

VidAngel is in the business of creating and providing family-friendly entertainment. In 2016, its principal product was a method of filtering objectionable content out of movies. But then, several of Hollywood's largest studios sued VidAngel under copyright law to enjoin it from using that method and to collect damages. In late 2016, a California court granted the studios' request for a preliminary injunction. Although it strongly disagreed with the court's reasoning, VidAngel of course obeyed. It ceased using that filtering method. The financial effect was devastating. By October, 2017, just as the California court was about to consider the damages, if any, that VidAngel owed the studios, VidAngel sought bankruptcy protection. Doing so gave it the "breathing spell" it needed to focus on rebuilding its business.

Since then, VidAngel's business prospects have improved substantially. It has developed a new proprietary method for filtering objectionable content out of movies, which method, it believes, does not violate copyright law. Further, it has focused successfully on developing more of its own original content, including Dry Bar Comedy. Even further, it has partnered with like-minded entertainment entrepreneurs to bring more family-friendly entertainment options to the public, including *The Chosen*, the biggest crowd-funded entertainment project in history.

[1] Terms that are capitalized but not defined herein are used as defined in the Plan.

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Now, VidAngel is ready to emerge from bankruptcy. To do so, it must propose its reorganization plan, attached hereto as Exhibit "1," which can be confirmed by the bankruptcy court only after that plan has been considered by VidAngel's creditors. By law, VidAngel cannot ask its creditors to consider its reorganization plan unless that plan is provided to them with a disclosure statement that has been approved by the bankruptcy court. This is VidAngel's proposed disclosure statement.

VidAngel intends this disclosure statement to furnish sufficient adequate information regarding its proposed reorganization plan so those who will vote on that plan can make an informed decision whether to support or oppose that plan. Please read this disclosure statement, the proposed reorganization plan that is attached, and all exhibits, very carefully.

For all the reasons given in this document, VidAngel encourages all parties who will vote on the Plan to vote for the Plan. VidAngel submits that its reorganization plan is the best possible plan for it to pay its creditors in full and emerge from bankruptcy successfully.

YOU MAY OBJECT TO THE ADEQUACY OF THE DISCLOSURES MADE IN THIS DOCUMENT. A hearing on the adequacy of the Disclosure statement is set for [**TBD**] at the United States Bankruptcy Court, 350 South Main Street, Salt Lake City, UT 84101, Courtroom 376. If you wish to object to the adequacy of the disclosures, you must do so by [**TBD**].

YOU MAY ALSO OBJECT TO CONFIRMATION OF THE PROPOSED PLAN. A hearing on confirmation of the Plan is scheduled for [**TBD**] at the United States Bankruptcy

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Court, 350 South Main Street, Salt Lake City, UT 84101, Courtroom 376. If you wish to object to the Plan, you must do so by [**TBD**].

YOUR RIGHTS MAY BE AFFECTED BY THIS DISCLOSURE STATEMENT AND THE PLAN. You should consider discussing these documents with your attorney.

Thank you very much.

/s/ *Neal S. Harmon*
Neal S. Harmon
CEO of VidAngel
Plan Proponent

/s/ *J. Thomas Beckett*
J. Thomas Beckett
PARSONS BEHLE & LATIMER
Attorneys for the Debtor

January 15, 2019

THIS PROPOSED DISCLOSURE STATEMENT HAS **NOT** BEEN APPROVED UNDER SECTION 1125(b) OF THE BANKRUPTCY CODE BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION FOR USE IN CONNECTION WITH THE SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN OF REORGANIZATION DESCRIBED HEREIN. ACCORDINGLY, THE FILING AND DISSEMINATION OF THIS PROPOSED DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE BANKRUPTCY COURT THAT THE PROPOSED DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION.

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ARTICLE 1
INTRODUCTION AND SUMMARY OF PLAN AND CONFIRMATION PROCESS

A. Summary of Treatment under the Plan.

Under its Plan the Debtor (VidAngel) proposes: (a) to pay the Priority Claims with Priority Payments, (b) to pay the Credit Holders' Claims by executing and delivering Credit Holders' New Agreements to the Credit Holders, (c) to pay the Studios' Claims with Studios' Payments, (d) to pay the General Unsecured Claims with GUC Payments, (e) to pay the Convenience Claims with Convenience Payments, and (f) to reinstate the Equity Interests. In essence, the Debtor plans to pay all its creditors in full, over time, with the profits it reasonably expects to earn in the future.

In its Plan the Debtor (a) assigned all holders of Claims and Equity Interests to various classes, (b) determined if each class is "impaired" under the Bankruptcy Code and therefore entitled to vote, and (c) provided for the treatment of each class, which is how each class will be paid. The following table summarizes these aspects of the Plan:

Class	Approximate Value of Claims	Type of Claim or Equity Interest	Impairment/Voting	Recovery/ Treatment
1	~$10 thousand	Priority Claims	Impaired Entitled to vote	Paid in full over 1 year
2	~$3.7 million	Credit Holders' Claims	Impaired Entitled to vote	Paid with new credit agreements
3	Unknown	Studios' Claim	Impaired Entitled to vote	Paid in full over 10 years
4	~ $350 thousand	General Unsecured Claims	Impaired Entitled to vote	Paid in full over 5 years.
5	Unknown	Convenience Claims	Impaired Entitled to vote	Paid in full over 1 year
6	N.A.	Equity Interests	Unimpaired Not entitled to vote	Reinstated

With respect to Class 3 (the Studios' Claims) – the values of which have not yet been determined in the California Action – the Plan generally provides that these claims, if any, will be amortized and paid over 10 years at six percent interest. If their claims exceed $7 million, then the balance will be paid at the end of 10 years, with interest. If the Debtor cannot pay the balance, then the Debtor will be sold as a going concern in a commercially reasonable manner.

Regardless, all holders of Claims, including the Studios, *must* refer to the Plan for definitive information regarding their precise treatment. Indeed, the Plan provides that, in the event of any inconsistency between it and this Disclosure Statement, the terms of the Plan shall prevail.

B. Disclosure Statement Approval and Confirmation Process.

At a hearing on [**TBD**], the Bankruptcy Court determined that this Disclosure Statement contains "adequate information" within the meaning of section 1125 of the Bankruptcy Code,

which defines "adequate information" as "information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor's books and records . . . that would enable such a hypothetical investor of the relevant class to make an informed judgment about the plan . . . ."

The Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan under section 1129 of the Bankruptcy Code ("Confirmation") on [**TBD**] (the "Confirmation Hearing"). The Confirmation Hearing may be adjourned from time to time without further notice other than by announcement in the Bankruptcy Court on the scheduled date. Any objections to Confirmation of the Plan must be in writing and must be filed with the Clerk of the Bankruptcy Court and served as set forth in a separate notice of hearing provided no later than [**TBD**]. Rule 3007 of the Federal Rules of Bankruptcy Procedure governs the form of any such objection.

C. Recommendation to Support the Plan.

THE DEBTOR URGES ALL HOLDERS OF CLAIMS AGAINST THE DEBTOR TO VOTE FOR THE PLAN.

As explained in more detail below, the Debtor believes that (a) the Plan provides the best possible result for all of the Debtor's stakeholders, including the Studios, general creditors, interest holders, subscribers, and holders of Administrative and Priority Claims, and (b) at least, holders of Claims and Equity Interests will recover substantially more under the Plan than they would if the Debtor were liquidated under chapter 7 of the Bankruptcy Code.

THIS PROPOSED DISCLOSURE STATEMENT HAS NOT BEEN APPROVED UNDER SECTION 1125(b) OF THE BANKRUPTCY CODE BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION FOR USE IN CONNECTION WITH THE SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN OF REORGANIZATION DESCRIBED HEREIN. ACCORDINGLY, THE FILING AND DISSEMINATION OF THIS PROPOSED DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE BANKRUPTCY COURT THAT THE PROPOSED DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION.

D. Qualifications and Risk Factors.

The projected financial information contained herein has not been the subject of an audit. Subsequent to the date hereof, there can be no assurance (a) that the information and representations contained herein will continue to be materially accurate, or (b) that this Disclosure Statement contains all material information.

All holders of Claims and Interests should read and consider carefully the matters described in the Plan and Disclosure Statement as a whole, including the "RISK FACTORS" described in Article 3 of this Disclosure Statement. In making a decision to support or object to the Plan, each creditor must rely on its own examination of the Debtor as described in this Disclosure Statement and the terms of the Plan, including the merits and risks involved. In addition, Confirmation and consummation of the Plan are subject to conditions precedent that could lead to delays in consummation of the Plan. There can be no assurance that each of these conditions precedent will be satisfied or waived (as provided in the Plan) or that the Plan will be consummated.

This Disclosure Statement has not yet been approved by order of the Bankruptcy Court as containing adequate information of a kind and in sufficient detail to enable holders of Claims to make an informed judgment with respect to voting to accept or reject the Plan. However, once approved, the Bankruptcy Court's approval of this Disclosure Statement will not constitute a recommendation or determination by the Bankruptcy Court with respect to the merits of the Plan.

THIS PROPOSED DISCLOSURE STATEMENT HAS NOT BEEN APPROVED UNDER SECTION 1125(b) OF THE BANKRUPTCY CODE BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION FOR USE IN CONNECTION WITH THE SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN OF REORGANIZATION DESCRIBED HEREIN. ACCORDINGLY, THE FILING AND DISSEMINATION OF THIS PROPOSED DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE BANKRUPTCY COURT THAT THE PROPOSED DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION.

With the exception of historical information, some matters discussed herein, including the projections and valuation analysis described herein are "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements.

No party is authorized by the Debtor to give any information or make any representations with respect to the Plan other than that which is contained in this Disclosure Statement. No representation or information concerning the Debtor, its future business operations, or the value of its assets, has been authorized by the Debtor other than as set forth herein. Any information or representation given to obtain your acceptance or rejection of the Plan that is different from or inconsistent with the information or representations contained herein and in the Plan should not be relied upon.

This Disclosure Statement has been prepared in accordance with section 1125 of the Bankruptcy Code and not in accordance with federal or state securities laws or other applicable non-bankruptcy law. Entities holding or trading in or otherwise purchasing, selling, or transferring Claims against the Debtor should evaluate this Disclosure Statement only in light of the purpose for which it was prepared.

This Disclosure Statement has not been approved or disapproved by the Securities and Exchange Commission or by any state securities commission or similar public, governmental,

or regulatory authority, and neither such commissions nor any such authority has passed upon the accuracy or adequacy of the statements contained herein.

This Disclosure Statement shall neither be admissible in any other proceeding involving the Debtor or any other party nor be construed to be providing any legal, business, financial, or tax advice. Each holder of a Claim or Equity Interest should, therefore, consult with its own legal, business, financial, and tax advisors as to any such matters concerning the solicitation, the Plan, or the transactions contemplated thereby.

This Disclosure Statement incorporates by reference the Debtor's Schedules of Assets and Liabilities and Statement of Financial Affairs, as are or may be amended, filed in the chapter 11 case. Documents filed in this chapter 11 case are publicly available at: http://www.utb.uscourts. gov.

E. General Overview of Chapter 11.

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Generally, under chapter 11, the Debtor is authorized to reorganize its businesses for the benefit of itself and stakeholders. Formulation of a reorganization plan is the principal objective of chapter 11. In general, a plan (a) divides claims and equity interests into separate classes, (b) specifies the property or treatment that each class is to receive under the plan, and (c) contains other provisions necessary to the implementation of the plan and reorganization of the Debtor.

In this case, chapter 11 does not require each holder of a Claim or Equity Interest to vote in favor of the Plan in order for the Bankruptcy Court to confirm the Plan. However, if one class is Impaired, the Plan must be accepted by the holders of at least one class of Claims that is Impaired without considering the votes of "insiders" within the meaning of the Bankruptcy Code. Distributions to be made under the Plan will be made after Confirmation of the Plan, on the Effective Date, or as soon thereafter as is practicable, or at such other time or times specified in the Plan.

F. Classification and Treatment of Claims and Equity Interests Generally

Section 1123(a)(1) of the Bankruptcy Code requires the Plan to classify all Claims (other than Administrative Expenses, Administrative Operating Expenses, and Priority Tax Claims) and Equity Interests. Section 1122 of the Bankruptcy Code provides that, except for certain Claims classified for administrative convenience, the Plan may place a Claim or Equity Interest in a particular Class only if such Claim or Equity Interest is substantially similar to the other Claims or Equity Interests of such Class. The Debtor believes that it has classified all Claims and Equity Interests in compliance with the provisions of section 1122. If a Claim or Equity Interest holder challenges such classification of Claims or Equity Interests and the Bankruptcy Court finds that a different classification is required for the Plan to be confirmed, the Debtor, to the extent permitted by the Bankruptcy Court, intends to make such reasonable modifications to the classification of Claims or Equity Interests under the Plan to provide for whatever classification might be required by the Bankruptcy Court for Confirmation.

Except to the extent that such modification of classification adversely affects the treatment of a holder of a Claim or Equity Interest and requires solicitation (or resolicitation), acceptance of the Plan by any holder of a Claim or Equity Interest pursuant to this solicitation will be deemed to be a consent to the Plan's treatment of such holder of a Claim or Equity Interest regardless of the Class to which such holder of a Claim or Equity Interest is ultimately deemed to belong.

The Bankruptcy Code also requires that the Plan provide the same treatment for each Claim or Equity Interest in a particular Class unless the holder of a particular Claim or Equity Interest agrees to a less favorable treatment of its Claim or Equity Interest. The Debtor believes that the Plan complies with this standard. If the Bankruptcy Court finds that the Plan does not comply with this standard, it could deny Confirmation of the Plan if the holders of Claims or Equity Interests affected do not consent to the treatment afforded them under the Plan.

In accordance with the Bankruptcy Code, Administrative Expenses and Priority Tax Claims are not classified into Classes. The Plan also provides that expenses incurred by the Debtor during the Case will be paid in full and specifies the treatment proposed for the Claims and Equity Interests in each Class.

G. Good Faith Solicitation under Section 1125.

The Debtor believes that the Plan treats the respective Classes of Claims and Equity Interests fairly and equitably in observance of the absolute priority rule of section 1129(b)(2) of the Bankruptcy Code. The Debtor believes that the Plan provides each creditor and Equity

Interest holder with at least as much, if not more, as it would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code.

The Plan is based upon the Debtor's analysis of all Claims asserted or known as of the date hereof and an evaluation of the relative merits of potential conflicting Claims. The Debtor believes that the overview in the Disclosure Statement of what holders of Claims and Equity Interests will receive under the Plan will be helpful in your consideration of whether you wish to accept or reject the Plan. This summary does not purport to be complete and should only be relied upon for voting purposes when read in conjunction with the Plan and this Disclosure Statement in their entirety.

H. Confirmation Requirements; Effect of Confirmation.

In addition to this voting requirement, section 1129 of the Bankruptcy Code requires that each holder of a claim that does not consent must receive at least as much value on account of its claim as it would receive in a liquidation under chapter 7 of the Bankruptcy Code.

Confirmation will make the Plan binding upon the Debtor, holders of Claims against and Equity Interests in the Debtor, and all other parties in interest regardless of whether they have accepted the Plan, and such holders of Claims and Equity Interests will be prohibited from receiving payment from, or seeking recourse against, any assets that are distributed to other holders of Claims or Equity Interests under the confirmed Plan. In addition, Confirmation will serve to enjoin holders of Claims or Equity Interests from taking a wide variety of actions on account of any debt, Claim, liability, Equity Interest, or right that arose

prior to the Confirmation Date. For example, confirmation of the Plan will enjoin holders of Claims and Equity Interests from seeking to enforce Claims against and Equity Interests in the Debtor, whether or not a proof of Claim based on such debt is filed or deemed filed, whether or not such Claim is Allowed, and whether or not the holder of such Claim has accepted the Plan.

The implementation of the Plan involves certain risks. For a discussion of these risks, see certain "RISK FACTORS" discussed in Article 3 of this Disclosure Statement.

I. Sources of Information.

Except as otherwise expressly indicated, the portions of this Disclosure Statement describing the Debtor, its businesses, properties, management, and the Plan have been prepared from information furnished by the Debtor.

The statements contained in this Disclosure Statement are made as of the date hereof unless another time is specified, and neither the delivery of this Disclosure Statement nor any exchange of rights made in connection with it shall, under any circumstances, create an implication that there has been no change in the facts set forth herein since the date of this Disclosure Statement.

No statements concerning the Debtor, the value of its Estate, or the value of any benefit offered to any creditor or Equity Interest holder in connection with the Plan should be relied on other than as set forth in this Disclosure Statement. In arriving at a decision, parties should not rely on any representation or inducement made to secure their acceptance or rejection that

is contrary to information contained in this Disclosure Statement. Any such additional representations or inducements should be reported immediately to counsel for the Debtor at Parsons Behle & Latimer, Attn: J. Thomas Beckett, 201 S. Main Street, Suite 1800, Salt Lake City, UT 84111, Telephone: (801) 536-6603, TBeckett@parsonsbehle.com.

ARTICLE 2
BACKGROUND OF THE DEBTOR

A. Filing of the Debtor's Chapter 11 Cases.

On October 18, 2017, 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 was not appointed in this case.

B. Nature of the Debtor's Business.

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 and television shows and stream such content for its subscribers' private viewing. The Debtor is also an original content producer, and it provides a streaming service to view the content it produces. The Debtor's original comedy series, Dry Bar Comedy, had more than 1 billion views in 2018. In 2019, the Debtor will be the distributor of the largest crowd-funded media project in entertainment history. The Debtor's services give

subscribers and their families choices over the entertainment content they view and share with their families.

C. Events Leading to Chapter 11 Case.

From late 2014 through late December 2016, VidAngel used a disc ownership 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.

VidAngel's Disc Ownership Model was popular and growing, with more than 1 million viewers as of December 2016. However, in June 2016, the Studios (including Disney Enterprises, Inc., Lucasfilm Ltd. LLC, Twentieth Century Fox Film Corporation, and Warner Bros. Entertainment Inc.) sued VidAngel in the United States District Court for the Central District of California (the "District Court"), Case No. 2:16-cv-04109-AB-PLA, 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, 17 U.S.C. § 1201(a), and that VidAngel's filtering and streaming violated the Studios' 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 (the "Preliminary Injunction"). VidAngel complied with the Preliminary Injunction, shutting down VidAngel's and its customers' use of the Disc Ownership Model. As a consequence, VidAngel's revenues from the Disc Ownership Model suddenly dried up entirely.

Six months after the issuance of the Preliminary Injunction, VidAngel launched a new streaming-based filtering service for motion pictures and television shows (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. 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. Revenues from the Stream-Based Model have grown steadily. However, in an abundance of caution, and due to the broad wording of the Preliminary Injunction, VidAngel does not use the Stream-Based Model on works owned by the Studios.

Notwithstanding the introduction of the Stream-Based Model, the loss of revenue from the Disc Ownership Model caused VidAngel to begin to explore opportunities to reduce

expenses and restructure its businesses. On October 18, 2017, the Debtor filed its petition for relief under chapter 11 of the Bankruptcy Code, which commenced this chapter 11 case.

D. Debtor's Assets.

Attached as Exhibit "3" hereto is the List of Debtor's Assets, which contains a detailed breakdown of the Debtor's assets.

1. Personal Property.

The Debtor has operating cash and restricted cash on hand. In addition to the Debtor's trade name and certain patents, VidAngel maintains a limited amount of video and office equipment. VidAngel is also in possession of a warehouse of discs.

2. Causes of Action.

VidAngel LLC v. Sullivan Entertainment Group et al

On August 31, 2017, VidAngel filed suit in the U.S. District Court for the District of Utah, Central Division, or the Utah District Court, naming Sullivan Entertainment Group, Inc., Marvel Characters, Inc., MVL Film Finance, LLC, Twentieth Century Fox Home Entertainment, LLC, Fox Digital Entertainment, Inc., Fox Broadcasting Company, Inc., New World Pictures, LTD., Castle Rock Entertainment, Inc., Turner Entertainment, CO., Village Roadshow Pictures Entertainment, Inc., Regency Entertainment (USA), Inc., and Metro-Goldwyn-Mayer Studios, Inc., as defendants, seeking declaratory relief for three (3) separate versions of technology that the Debtor used, or could use, for making imperceptible limited

portions of motion pictures transmitted to customers for private viewing. The case was dismissed in 2018.

VidAngel v. Clearplay

On December 30, 2013, VidAngel filed suit in the U.S. District Court for the Northern District of California against ClearPlay, Inc. for a declaratory judgment of patent noninfringement and invalidity. The case was transferred to the District of Utah on March 5, 2014 and stayed on March 31, 2017.

VidAngel v. Disney Enterprises, Inc. et al

On February 15, 2018, VidAngel filed suit against the Studios for disallowance of claims, and declaratory relief under the Copyright Act and the Family Movie Act in the Bankruptcy Court for the District of Utah. Judge David Nuffer of the U.S. Court for the District of Utah granted VidAngel's motion to withdraw the bankruptcy reference on November 1, 2018.

3. Potential Causes of Action.

Kupferstein Manuel & Quinto

VidAngel has a potential claim against Kupferstein Manuel & Quinto LLP for malpractice related to a legal opinion relating to the Disc Ownership Model.

E. Debtor's Liabilities.

1. The Studios' Claim.

At the time VidAngel filed for bankruptcy protection, the Studios had been awarded a preliminary injunction in the California Action on the grounds that VidAngel had violated copyright law, but the Studios had not yet been awarded any damages. The California Action was stayed upon VidAngel's filing of its bankruptcy petition. More recently, in November, 2018, Bankruptcy Judge Kevin R. Anderson granted the Studios' motion for stay relief for the sole purpose of liquidating the Studios' claims. A jury trial on the damages, if any, that the Studios may have suffered is currently anticipated to take place in the third quarter of 2019.

2. Other Claims.

At the time of this Disclosure Statement, the Debtor is unaware of any person asserting any Secured Claim. Customers of the Debtor who hold credits for prepetition amounts paid toward the disc-based service represented about $4.9 million in unsecured debt as of the Petition Date. The amount of customer credits as of late 2018 was roughly $3.7 million. The remaining unsecured creditors of the Debtor hold claims totaling less than $400,000.

3. Administrative Expenses.

The Debtor is responsible for paying unclassified Claims entitled to priority as Administrative Expenses of its chapter 11 case, including, any Claim arising from the administration of the Debtor's chapter 11 case as provided in section 503 of the Bankruptcy Code and that is entitled to priority under section 507(a)(1) of the Bankruptcy Code, including,

without limitation, (a) fees and expenses of the Debtor's professionals allowed pursuant to an order of the Bankruptcy Court, and (b) all fees and charges of the U.S. Trustee assessed against the Debtor's estate pursuant to 28 U.S.C. § 1930. The total unpaid amount of these fees and expenses will be approximately [**TBD**] as of the Confirmation Date.

Attached as Exhibit "4" hereto is the List of Debtor's Liabilities, which contains a detailed breakdown of the Claims against the Debtor by priority.

F. Current and Historical Financial Conditions.

The Debtor has projected expenses and costs which will be part of the reorganization efforts in the budget attached as Exhibit "5." Additionally, monthly operating reports have been filed with the Court pursuant to the Bankruptcy Code. The six most recent monthly reports are attached as Exhibit "6".

G. Significant Events During the Bankruptcy Case.

The Debtor made good use of the "breathing spell" afforded by the automatic stay of section 362(a) of the Bankruptcy Code to reorganize its affairs. The Debtor continues to grow its businesses by increasing subscribership under the Stream-Based Model and through the creation of original content, which includes its own production of Dry Bar Comedy and strategic partnerships with outside producers on several upcoming projects. VidAngel has entered into an agreement to advise and market an original series entitled *The Chosen*. Investors in *The Chosen* have invested in a separate entity and not in VidAngel. VidAngel will offer viewers the opportunity to view *The Chosen* as the exclusive provider of the series.

In addition, the Debtor's timeframe in which it has the exclusive right to propose and solicit acceptances of its Plan has thrice been extended by the Bankruptcy Court, to January 14 and March 15, 2019, respectively. The Debtor intends to ask the Bankruptcy Court for a further extension of the solicitation period to June 18, 2019.

In addition, as discussed above, the Studios requested and the Bankruptcy Court granted relief from the automatic stay so the Studios could have their claim for damages liquidated in the California Action.

1. Debtor's Professionals.

During the chapter 11 case, the Debtor engaged the following professionals to assist it in its chapter 11 case and related matters as follows:

Professional	**Role**
Parsons Behle & Latimer	Chapter 11 Attorneys
Rocky Mountain Advisory	Certified Public Accountants and Financial Advisors
Kaplan, Voekler, Cunningham & Frank, PLC	Special Counsel
Stris & Maher LLP	Special Counsel
Analysis Group, Inc.	Economic Consultants
Durham Jones & Pinegar	Special Counsel
Tanner LLC	Tax and Financial Advisors
Baker Marquart LLP	Special Counsel

ARTICLE 3
RISK FACTORS

Holders of Claims should read and consider carefully the factors set forth below, as well as the other information set forth in this Disclosure Statement (and the documents

delivered together herewith and/or incorporated by reference herein), prior to voting to accept or reject the Plan.

A. Risks Related to Projections and Estimates.

This Disclosure Statement and the materials incorporated by reference herein include "forward looking statements" as defined in section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts included in this Disclosure Statement and the incorporated materials regarding the Debtor's financial position, business strategies, plans, and objectives of management, including, but not limited to, words such as "anticipates," "expects," "estimates," "believes," and "likely," are forward-looking statements. The Debtor believes that its current views and expectations are based on reasonable assumptions; however, there are significant risks and uncertainties that could significantly affect expected results. Important factors that could cause actual results to differ materially from those in the forward-looking statements ("Cautionary Statements") are disclosed throughout this Disclosure Statement. All subsequent written and oral forward-looking statements attributable to the Debtor, or persons acting on its behalf, are expressly qualified in their entirety by the Cautionary Statements. The Debtor does not intend to update or otherwise revise the forward-looking statements contained herein to reflect events or circumstances arising after the date hereof or to reflect the occurrence of unanticipated events.

B. Risk of Nonconfirmation of the Plan.

The Plan might not be confirmed by the Bankruptcy Court if it finds that the Plan fails to meet any of the requirements of the Bankruptcy Code, including those identified in Article IV-B, below. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, that the Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor, and that the value of distributions to dissenting creditors not be less than the value of distributions such creditors would receive if the Debtor is liquidated under chapter 7 of the Bankruptcy Code. The Debtor believes that the Plan satisfies all requirements for Confirmation under the Bankruptcy Code. There can be no assurance, however, that the Bankruptcy Court will also conclude that the requirements for Confirmation of the Plan have been satisfied.

C. Risk of Nonoccurrence of Effective Date of the Plan.

Even if the Plan is Confirmed, the Effective Date for the Plan may not occur. The Plan sets forth conditions to the occurrence of the Effective Date of the Plan, which may not be satisfied by the Effective Date. The Debtor believes that it will satisfy all requirements for consummation required under the Plan. There can be no assurance, however, that the Bankruptcy Court will also conclude that the requirements for consummation of the Plan have been satisfied.

THIS PROPOSED DISCLOSURE STATEMENT HAS NOT BEEN APPROVED UNDER SECTION 1125(b) OF THE BANKRUPTCY CODE BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION FOR USE IN CONNECTION WITH THE SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE PLAN OF REORGANIZATION DESCRIBED HEREIN. ACCORDINGLY, THE FILING AND DISSEMINATION OF THIS PROPOSED DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE BANKRUPTCY COURT THAT THE PROPOSED DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION.

ARTICLE 4
CONFIRMATION OF THE PLAN

A. Disclosure of Information.

Under the Bankruptcy Code, only Classes of Claims that are "Impaired" under the terms and provisions of the Plan and entitled to receive a distribution thereunder are entitled to vote to accept or reject the Plan. Accordingly, Classes of Claims and Equity Interests that are unimpaired under the terms and provision of the Plan are not entitled to vote on the Plan. In addition, Classes of Claims or Equity Interests that are not entitled to a distribution under the terms and provisions of the Plan are deemed to have rejected the Plan and are not entitled to vote to accept or reject the Plan.

The Debtor is providing copies of this Disclosure Statement to all known holders of Claims, even to those not entitled to vote on the Plan.

B. Confirmation of the Plan.

Section 1129 of the Bankruptcy Code requires the Bankruptcy Court to make a series of determinations concerning the Plan, including, without limitation, (a) that the Plan has classified Claims and Equity Interests in a permissible manner; (b) that the contents of the Plan complies with the technical requirements of the Bankruptcy Code; (c) that the Debtor has proposed the Plan in good faith; and (d) that the Debtor has made disclosures concerning the Plan that are adequate and include information concerning all payments made or promised in connection with the Plan or otherwise. The Debtor believes that all of these conditions have been or will be met with respect to the Plan.

The Bankruptcy Court must make independent findings respecting the Plan's feasibility and whether the Plan is in the best interests of holders of Claims and Equity Interests.

1. The Best Interests Test.

Whether or not the Plan is accepted by each Impaired Class of Claims entitled to vote on the Plan, in order to confirm the Plan, the Bankruptcy Court must independently determine, pursuant to section 1129(a)(7) of the Bankruptcy Code, that the Plan is in the best interests of each holder of an Impaired Claim or Equity Interest that has not voted to accept the Plan. This requirement is satisfied if the Plan provides each non-accepting holder of a Claim or Equity Interest in such Impaired Class a recovery on account of such holder's Claim or Equity Interest that has a value, as of the Effective Date, at least equal to the value of the distribution each such holder would receive in a liquidation of the Debtor under chapter 7 of the Bankruptcy Code.

To determine the value that holders of Impaired Claims and Equity Interests would receive if the Debtor was liquidated under chapter 7, the Bankruptcy Court must determine the aggregate dollar amount that would be generated if the Debtor's bankruptcy case were converted to chapter 7 and a chapter 7 trustee liquidated the Debtor's assets (the "Liquidation Value"). The Liquidation Value would consist of the net proceeds from the disposition of the Debtor's assets, augmented by cash held by the Debtor, and reduced by certain increased costs and claims that arise in chapter 7 that do not arise in chapter 11. Attached hereto as Exhibit "2" is a liquidation analysis (the "Liquidation Analysis") showing amounts available to be

distributed to holders of Allowed Claims. The Debtor believes that the Plan provides recoveries to holders of Allowed Claims and Equity Interests (other than Priority Claims) that are not less than – and likely far greater than – the recoveries to holders of Claims and Equity Interests in a chapter 7 liquidation. Thus, the Debtor believes that section 1129(a)(7) of the Bankruptcy Code is satisfied.

2. Feasibility.

The Bankruptcy Court must determine that consummation of the Plan is not likely to be followed by liquidation or further financial reorganization of the Debtor. For purposes of determining whether the Plan meets this requirement, the Debtor has analyzed its ability to meet its obligations under the Plan and determined that the Debtor will be able to make all payments contemplated by the Plan. The Debtor intends to offer evidence in support of this proposition at the Confirmation Hearing. With the growth of the Debtor's original content, the monthly operating statements, attached as Exhibit "6," show a steady rise of cash flow for the last six months.

3. Confirmation Hearing.

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a Confirmation Hearing. Section 1128(b) provides that any party in interest may appear and be heard with respect to, or object to, Confirmation of a plan. Notice of the Confirmation Hearing will be provided to all holders of Claims and Equity Interests and other parties in interest (the "Confirmation Notice"). The Confirmation Hearing may be adjourned from time

to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof. Objections to Confirmation of the Plan must be made in writing, specifying in detail the name and address of the person or Entity objecting, the grounds for the objection, and the nature and amount of the Claim or Equity Interest held by the objector. Objections must be filed with the Bankruptcy Court, together with proof of service, and served upon the parties so designated in the Confirmation Notice, on or before the time and date designated in the Confirmation Notice as being the last date for serving and filing objections to Confirmation of the Plan. Objections to Confirmation of the Plan are governed by Federal Rule of Bankruptcy Procedure 9014 and the Local Rules of the Bankruptcy Court.

ARTICLE 5
ALTERNATIVES TO CONFIRMATION OF THE PLAN

If the Bankruptcy Court does not confirm the Plan, or the Debtor does not consummate the Plan, the alternatives to the Plan include (a) conversion and liquidation of the Debtor under chapter 7 of the Bankruptcy Code, or (b) an alternative Plan under chapter 11 of the Bankruptcy Code.

A. Liquidation under Chapter 7.

If the Plan cannot be confirmed or consummated, this case may be converted to a case under chapter 7 of the Bankruptcy Code. In that event, a trustee would be appointed to liquidate the assets of the Debtor for distribution to holders of Claims and Equity Interests in accordance with the priorities established by the Bankruptcy Code. As more fully

demonstrated in the Liquidation Analysis attached as Exhibit "2", the liquidation value of the Debtor would not exceed [**TBD**]. Consequently, the Debtor believes that Confirmation of the Plan will provide the holders of Claims and Equity Interests a substantially greater recovery than a liquidation under chapter 7 of the Bankruptcy Code.

Accordingly, the Debtor recommends that all parties in interest support the Plan.

B. Alternative Plan.

If the Plan is not confirmed, or if the Debtor's exclusive period in which to file a plan has expired, any other party in interest may be entitled to file a different plan. The Debtor believes that the Plan provides holders of Claims and Equity Interests with the greatest value possible under the circumstances. Furthermore, the Debtor believes that any subsequently proposed plan would likely provide less favorable treatment than that to be afforded by the Plan and would further delay the payment of distributions.

ARTICLE 6
CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The Plan provides for payment or reinstatement of Claims. The payments may have tax implications for the Debtor, its Equity Interest holders, and for the holders of Claims, including income imputed for cancellation of debt or losses. Holders of Claims and Equity Interests should consult their own tax advisors regarding the tax consequences of the treatment of the Claims and Equity Interests under the Plan. No part of this Disclosure Statement, the Plan, or any other communication from the Debtor is or can be construed as tax advice for any purpose.

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ARTICLE 7
SECURITIES LAWS CONSEQUENCES OF PLAN

The Plan provides for payment or reinstatement of Claims. No new securities will be issued under the Plan. Holders of Equity Interests should consult their own advisors regarding any securities law consequences of the treatment of their Equity Interests under the Plan.

ARTICLE 8
CONCLUSION AND RECOMMENDATION

The Debtor believes that Confirmation of the Plan in the best interests of all holders of Claims and Equity Interests. The Plan provides a substantially greater recovery than a liquidation under chapter 7. The Debtor recommends all parties in interest to support and vote in favor of the Plan.

Respectfully submitted,

January 15, 2019

/s/ *Neal S. Harmon*
Neal S. Harmon
CEO of the Debtor
Plan Proponent

/s/ *J. Thomas Beckett*
J. Thomas Beckett
PARSONS BEHLE & LATIMER
Attorneys for the Debtor

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LIST OF EXHIBITS

Exhibit "1"	Debtor's chapter 11 Plan
Exhibit "2"	Liquidation Analysis
Exhibit "3"	List of Debtor's Assets
Exhibit "4"	List of Debtor's Liabilities
Exhibit "5"	Projected Business Budget
Exhibit "6"	Six Most Current Monthly Financial Reports

PROOF OF SERVICE

I hereby certify that on this 15th day of January, 2019, I electronically filed the foregoing **DEBTOR'S DISCLOSURE STATEMENT** as follows:

I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system, which sent notification of such filing to the following:

- Laurie A. Cayton tr laurie.cayton@usdoj.gov,
- James.Gee@usdoj.gov;Lindsey.Huston@usdoj.gov;Suzanne.Verhaal@usdoj.gov
- Rose Leda Ehler rose.ehler@mto.com, cynthia.soden@mto.com
- Michael R. Johnson mjohnson@rqn.com, docket@rqn.com;dburton@rqn.com
- Kelly M. Klaus kelly.klaus@mto.com
- David H. Leigh dleigh@rqn.com, dburton@rqn.com;docket@rqn.com
- United States Trustee USTPRegion19.SK.ECF@usdoj.gov

By U.S. Mail - In addition to the parties of record receiving notice through the CM/ECF system, the following parties should be served notice pursuant to Fed R. Civ. P. 5(b).

Brent O. Hatch
Johnson & Hatch
10 West Broadway
Suite 400
Salt Lake City, UT 84101

Todd Rosen
Munger, Tolles & Olson, LLP
350 South Grand Avenue, 50th Floor
Los Angeles, CA 90071-3426

Kelly M. Klaus
Munger, Tolles & Olson, LLP
350 South Grand Avenue, 50th Floor
Los Angeles, CA 90071-3426

In addition, on January 15, 2019, I asked the Debtor to post the Disclosure Statement on the Debtor's public informational website for communications related to this chapter 11 case, and I will verify that it is made publicly available on the website within 5 days of the date hereof.

/s/ *J. Thomas Beckett*
J. Thomas Beckett
PARSONS BEHLE & LATIMER
Attorneys for VidAngel, Inc.