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**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

DECLARATION OF PATRICK REILLY

SUPPORTING

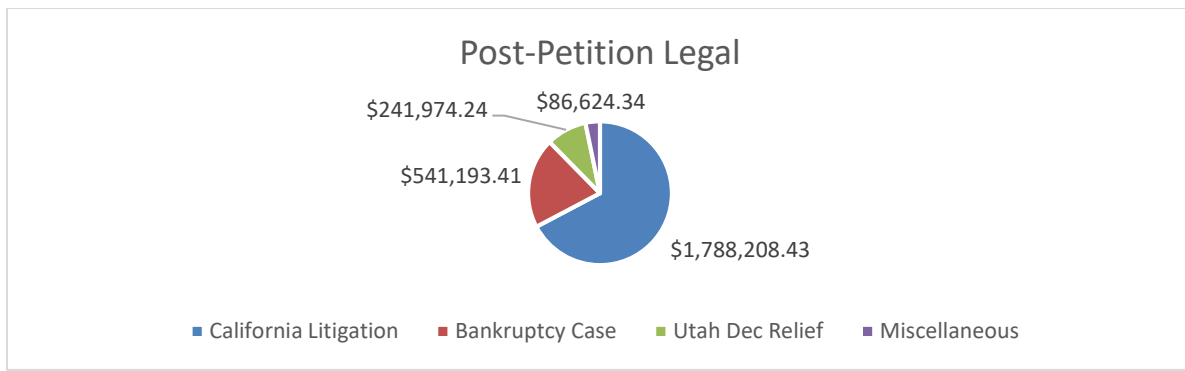
**DEBTOR'S OBJECTION TO THE STUDIOS' MOTION FOR
CONVERSION TO CHAPTER 7**

1. I am the Chief Financial Officer of VidAngel, Inc.
2. When the Studios sued VidAngel in June 2016, VidAngel had \$1,480,525 in cash and \$2,551,804 in total assets. Its revenue depended entirely on its "disc-based" content filtering technology. Since inception, it had earned revenues of \$2.8 million from this technology.
3. When VidAngel filed its petition in October 2017, it had \$3,582,361 in cash and \$5,996,507 in total assets. It had improved its cash and total asset positions since the preliminary

injunction with a capital raise of nearly \$10 million, \$2.65 million of which was its estimate of the cost of its legal defense in California.

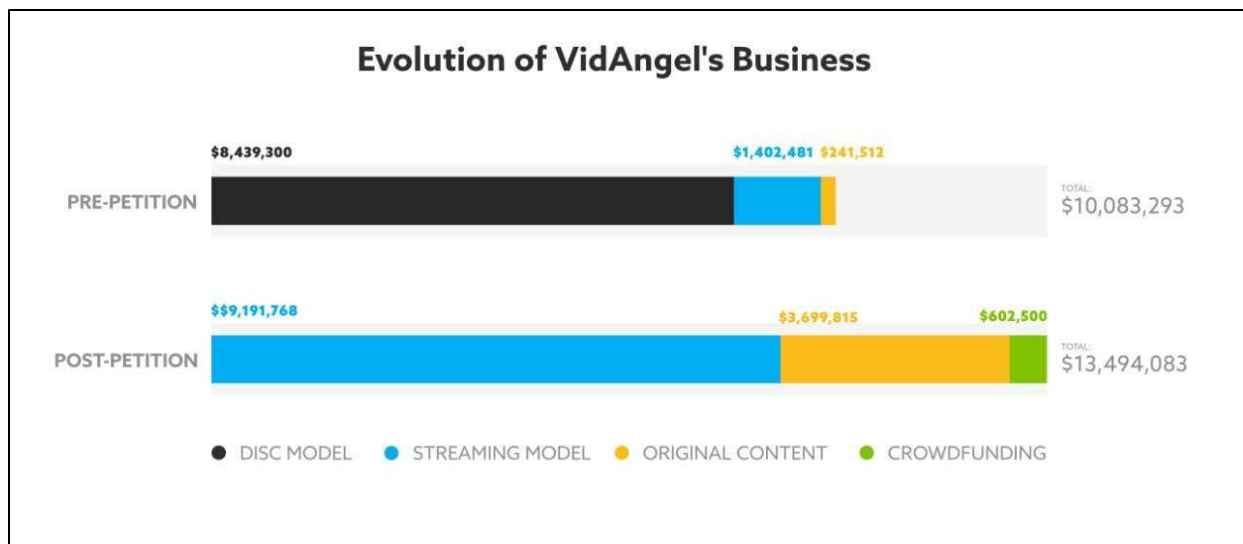
4. After the dismissal of its declaratory judgment action in Utah, the Debtor focused its reorganization efforts on developing original content (including Dry Bar Comedy and The Chosen) and its consulting and services businesses in the family-friendly entertainment crowdfunding space.

5. Post-petition, the Debtor has spent \$2.66 million on lawyers. VidAngel spent the lion's share of that, about 67% (\$1.79 million), defending the California action. It spent another 20% (\$541,000) on its bankruptcy case. Most of the remainder (\$242,000) was spent on the unsuccessful Utah declaratory judgment action.



6. The Studios ignore the fact that \$1.8 million of that difference was the cost of its defense against the Studios' litigation. Another \$611,000 is related to the "book depreciation" of the Debtor's fixed assets and its inventory of DVD and Blu-Ray discs. Without those items, the Debtor's total assets would have *increased* since the petition date by approximately \$300,000.

7. VidAngel has grown and reorganized its business substantially while operating under the protection of the Bankruptcy Code. Prepetition, the Debtor derived nearly all its revenues from the disc-based technology that it has since abandoned. Post-petition, the Debtor has derived *all* its revenues from its three new lines of business:



I declare, under penalty of perjury, that the foregoing is true and correct.

Dated this 12th day of July, 2019.

/s/ Patrick Reilly

PROOF OF SERVICE

I hereby certify that on July 12, 2019, I caused a true and correct copy of the foregoing **DECLARATION OF PATRICK REILLY IN SUPPORT OF THE DEBTOR'S OBJECTION TO THE STUDIOS' MOTION FOR CONVERSION TO CHAPTER 7** be served 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 mjohanson@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

On July 12, 2019, I also caused a true and correct copy of the foregoing documents to be served on the following parties by email:

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

/s/ J. Thomas Beckett

PARSONS BEHLE & LATIMER

Attorneys for VidAngel, Inc., debtor and debtor-in-possession.