

Case No. 16-56843

IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

DISNEY ENTERPRISES, INC., ET AL.,
Plaintiffs-Appellees,

v.

VIDANGEL, INC.
Defendant-Appellant.

Appeal from The United States District Court
for the Central District of California
Case No. 16-cv-04109-AB (PLAx)
The Honorable André Birotte Jr., Presiding

**APPELLEES' SUPPLEMENTAL EXCERPTS OF RECORD
VOLUME 1
(Pages SER 849 – SER 1077)**

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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

- - -

HONORABLE ANDRÉ BIROTTE JR., JUDGE PRESIDING

DISNEY ENTERPRISES, INC.;
LUCASFILM LTD. LLC; TWENTIETH
CENTURY FOX FILM CORPORATION AND
WARNER BROS. ENTERTAINMENT INC.,

No. CV 16-04109-AB

Plaintiffs and
Counterclaim Defendants,

vs.

VIDANGEL, INC.

Defendant and Counterclaimant.

ORDER TO SHOW CAUSE

OFFICIAL REPORTER'S TRANSCRIPT OF PROCEEDINGS

Los Angeles, California

January 6, 2017

10:00 a.m.

APPEARANCES:

For the Plaintiffs: Kelly M. Klaus, Esq.
Rose Leda Ehler, Esq.
Allyson Bennett, Esq.
Glenn D. Pomerantz, Esq.

For the Defendant: David Quinto, Esq.

Reported by: Nichole Forrest, RDR, CRR
CSR #137256
Official Court Reporter
213-894-2665

PROCEEDINGS

(The following proceedings held in open court.)

THE COURT: Please be seated. Calling Civil Case No. 16-04109, Disney Enterprises, Inc., versus VidAngel, Inc.

Counsel, please state your appearances.

MR. KLAUS: Kelly Klaus. With me at counsel table are my colleagues, Rose Ehler, Allyson Bennett and Glenn Pomerantz.

THE COURT: Good morning. Happy New Year to you all.

MR. QUINTO: Happy New Year. David Quinto for VidAngel, Inc.

THE COURT: Happy New Year to you as well.

All right. So it strikes me there are real issues for discussion. We're certainly in the midst of some contentious litigation, which is more than appropriate, but even in the midst of that, I guess, you know, we're here on this matter. And I guess I should share with the parties my expectation is that the parties abide by the rules of the Court, and I expect both sides to do that, quite frankly.

I struggle a bit to understand what has transpired here in this case between December 12th and the present date. I

1 have my notes. I believe they're accurate. The Court
2 issued its order on December 12th. Despite the defendant's
3 suggestion otherwise, I thought the order was fairly clear
4 that VidAngel was enjoined from circumventing technological
5 measures protecting plaintiffs' copyrighted work, copying
6 and streaming or otherwise engaging in any activity that
7 violated the plaintiffs' circumventions rights under the
8 Copyright Act.

9 Defendant suggested the order wasn't clear because I
10 suppose the order didn't say "immediately." If I'm candid
11 with the parties, I find that to be somewhat disingenuous
12 and bordering on insulting that lawyers of this caliber
13 would play word games with a matter like that. Particularly
14 when neither side took the time and effort during this time
15 since the injunction to indicate that there was some
16 question about whether this -- when this order should be
17 issued and the difficulties that might be associated with
18 abiding by the Court order. Moreover, the Court has some
19 concern about this protest of confusion that seems
20 inconsistent with I believe it's the statement of Mr. Quinto
21 and Mr. Harmon that suggests at least to this Court that the
22 defendant's strategy all along was to seek a stay if the
23 Court issued an injunction, and that somehow that would
24 relieve the party from abiding by the Court's order. To
25 date, I have not found authority to suggest that that is the

1 case, and I don't believe either side cited any authority
2 along that line.

3 In addition, I'm puzzled by the representation of the
4 defendants in this case, specifically the Harmon declaration
5 that I think, if my numbers are right, was filed December
6 21. That would have been nine days after the Court's order
7 and five days after the defendant had filed its motion to
8 stay pending appeal. That Harmon declaration has been
9 characterized as somehow some way an effort to assist the
10 Court or letting the Court know of the good-faith efforts
11 that the defendants were taking to comply.

12 The question that just seems to jump out at me is if the
13 defendants were that concerned about letting the Court know
14 its good-faith efforts to comply and issues that were raised
15 in compliance, then why wouldn't that declaration have been
16 filed on the 14th? Unless, I guess, was it because it took
17 that long between the 14th and the 19th to figure out what
18 those issues were, or was it because the defendants knew
19 plaintiffs were going to file an Order to Show Cause on the
20 22nd and wanted to beat them to the punch.

21 So it raises a lot of questions. I say all this to say,
22 look, I recognize both sides feel strongly about the
23 positions. It's an important case to both sides. I
24 understand that. That is one of the many reasons why I have
25 been very -- attempted to be very diligent and deliberate in

1 letting the parties argue their case, in issuing its orders.
2 I recognize the stakes. I believe that justice requires
3 that I am diligent and deliberate in that.

4 But I also believe that justice requires that when a
5 Court issues an order, not me but a court generally, that
6 the parties should abide by that order. In virtually every
7 case, one side feels that judge got it wrong. I understand
8 that is the nature of the beast. And there are avenues to
9 deal with that. You can seek a review of the Court's order;
10 I respect that, and I wouldn't expect anything less from
11 either side.

12 But having said that, I don't know if a party has a right
13 to say while I'm seeking a stay of the Court's order I'm
14 going to do what I think is right for our company. You know
15 given -- to bring it back down to basics, to use a sports
16 analogy, sometimes you just got to respect the call. You
17 don't have to agree but you have to respect it. So I have
18 some questions about whether that has been done in this
19 case.

20 So I'm going to give both sides an opportunity to be
21 heard. Obviously, I have a number of questions for the
22 defendants in this case. I'll start there.

23 Mr. Quinto, if you step to the lectern, please, I have a
24 number of questions that I would like to get your thoughts
25 on.

1 MR. QUINTO: Yes, Your Honor. And there are points
2 I would like to make.

3 THE COURT: As always, I will give you an
4 opportunity to be heard. Let me start with my questions,
5 and I'll give you an opportunity to be heard thereafter.

6 I guess the first question I have is, what authority, if
7 any, do you rely on to support the notion that a party need
8 not comply with the Court order during the period in which
9 it's seeking a stay?

10 MR. QUINTO: Your Honor, I think the fundamental
11 problem here is that Your Honor is -- it seems to me --
12 approaching this proceeding as if VidAngel should be
13 punished. But in fact the contempt that is sought here,
14 brought by the plaintiffs, is simply to compel compliance
15 with the Court's order. And there is a critical distinction
16 between the two forms. Because if the contempt is sought to
17 punish, then it invokes -- necessarily invokes
18 considerations of whether it's a quasi-criminal proceeding.
19 But if it's simply to compel compliance as this request
20 was --

21 THE COURT: Why can't it be both?

22 MR. QUINTO: Because if it's punitive, which is how
23 the Court seems to be viewing it, then it becomes a
24 quasi-criminal proceeding. Here, though, the stated purpose
25 of the contempt proceeding was to compel compliance with the

1 Court's order.

2 THE COURT: Now, it seems we're playing word games
3 here. Yes, the stated purpose was to compel compliance. So
4 is it your position that because you complied later than the
5 Court's order then you're off the hook?

6 MR. QUINTO: It's our position the following:
7 First, that is a showing of civil contempt that requires
8 proof by clear and convincing evidence, and the Supreme
9 Court has made clear that the minimum sanction necessary to
10 force compliance to compel compliance with a Court order is
11 the appropriate sanction.

12 Second, Your Honor --

13 THE COURT: I'm sorry, let's rewind that for a
14 second. You're saying that the minimum sanction necessary
15 to force compliance -- what do you think that is? Just the
16 fact that you did that?

17 MR. QUINTO: We are in compliance.

18 THE COURT: So it doesn't matter that you decided to
19 be in compliance when you thought it was appropriate versus
20 when the Court ordered it? Is that your position? I'm
21 trying to understand here. The order was issued on the
22 12th.

23 Let's start from the beginning. The order issued on the
24 12th. When did you become in compliance with the Court's
25 order? When did defendants become in compliance?

1 MR. QUINTO: We're here on an application.

2 THE COURT: No, I understand that. Why don't you do
3 me a favor and answer my question, please.

4 The Court's order was on December 12th. When do you
5 contend that VidAngel came into compliance with the Court's
6 order?

7 MR. QUINTO: Within three or four hours after the
8 Court denied VidAngel's ex parte application for a stay of
9 enforcement.

10 THE COURT: What date was that?

11 MR. QUINTO: It was the Thursday before.

12 THE COURT: Let me help you. I think it was
13 December --

14 MR. QUINTO: 29 --

15 THE COURT: -- 29 or so. So are you conceding,
16 then, from December 12th to that date you were not in
17 compliance with the Court's order?

18 MR. QUINTO: That is correct.

19 THE COURT: So is it your position, then, that there
20 should be no sanction whatsoever for not abiding by the
21 Court's order? Again, as you pointed out, the standard is
22 clear and convincing evidence. I'll add to that, that the
23 alleged contemnor violated the Court order beyond
24 substantial compliance, not based on good faith and
25 reasonable interpretation of the order by clear and

1 convincing evidence.

2 So we've just established that at a minimum, VidAngel did
3 not abide by the Court's order until at the earliest
4 December 28th or 29th. Forgive me, I don't have all the
5 dates in front of me.

6 So are you suggesting that it was not beyond substantial
7 compliance that it was based on good faith and reasonable
8 interpretation of the order?

9 Help me understand your position.

10 MR. QUINTO: Yes, Your Honor. It's based on good
11 faith. And I believe that Your Honor has misconstrued or
12 misunderstood what VidAngel intended to convey in its ex
13 parte application for a stay. Specifically, the point that
14 VidAngel wanted to convey was that although it was possible
15 to comply with the order, complying with the order would
16 necessitate effects on VidAngel far greater than were
17 contemplated by the scope of the injunction.

18 THE COURT: Now, that's an interesting point that
19 you raise. Because I think this ties into the argument you
20 laid out in the declaration, specifically paragraph 3 where
21 you talk about your experience in dealing with Judge
22 Pregerson in the prior case about Judge Pregerson granting a
23 30-day extension on an injunction order.

24 I take that to heart. I'm not questioning it. But I
25 look at your papers that you filed in support of your ex

1 parte application, specifically on page 12 where you talk
2 about the irreparable harm from the injunction. Nowhere do
3 you mention any of the hardships or issues that might affect
4 VidAngel by complying with the Court's order. In fact, that
5 was filed on the 14th. The first inclination of any issues
6 with respect to compliance don't appear, I believe, on the
7 docket until the Harmon declaration on the 21st.

8 So I'm struggling here to understand. If you were so
9 concerned or if you wanted the Court to understand that
10 there were some issues with compliance, why not raise them
11 when you filed the ex parte application for a motion to
12 stay, like you did with Judge Pregerson?

13 MR. QUINTO: I apologize for that, Your Honor. All
14 I can say is that we received the Court's order on a Monday
15 night. We wanted to get the stay application on file as
16 quickly as possible. So we were working on the stay
17 application at the same time that we were trying to figure
18 out what all would be required to comply, how compliance
19 could be achieved without causing effects beyond those
20 necessitated by the preliminary injunction, how we could
21 implement that without affecting 100 percent of the business
22 rather than 53 percent that was covered by the preliminary
23 injunction.

24 So we wanted to get the stay application on file quickly,
25 so that the Court would begin considering the problem, and

1 the Court would realize that this was of urgent concern to
2 us. But at the same time we had various groups within
3 VidAngel trying to figure out how to comply without
4 affecting the entire business.

5 THE COURT: So are you suggesting, then, that it
6 wasn't until the Harmon declaration on the 21st that you
7 were able to, for lack of a better term, figure out how to
8 comply?

9 MR. QUINTO: Well, it was not until -- by then we
10 had determined it would not be possible for VidAngel to
11 comply neatly by denying 53 percent of its catalog without
12 affecting the other 47 percent adversely. And as the Court
13 knows, even today VidAngel has not been able to achieve
14 that. Which is why VidAngel service is completely shut down
15 today; why VidAngel is doing zero business today rather than
16 47 percent.

17 So we were proceeding on all fronts. By the way, my
18 recollection is that the Harmon declaration was filed before
19 the plaintiffs submitted their request for contempt.

20 THE COURT: No, that is accurate that it was filed
21 before, but I think it was contemporaneous based on the
22 declarations and e-mail strings. E-mail strings were going
23 on during that time. If I read this, correct me if I'm
24 wrong, it appears plaintiffs were putting you on notice,
25 hey, you got these movies up on the website, we're going to

1 go to court to seek an Order to Show Cause, and then you
2 filed the declaration, and then the day after Disney filed
3 the Order to Show Cause.

4 So it's difficult for me to think anything other than you
5 filed it because you knew this motion was coming. You
6 wanted to let the Court know, hey, we're trying to do this.
7 That's why I had that question earlier about it's just the
8 timing of the declaration of Harmon seemed a bit -- I
9 questioned it, given the fact it's been couched as this
10 effort to inform the Court of the attempts to comply and the
11 difficulties to comply.

12 Again, I go back to the question I asked earlier that I
13 don't think I've gotten an answer to: Why wasn't that filed
14 earlier than the 21st? Again, it seems sort of coincidental
15 it would be filed one day before an Order to Show Cause when
16 there are e-mails that predate the filing of that
17 declaration.

18 MR. QUINTO: I will represent to the Court that the
19 declaration was not submitted for the purpose of trying to
20 defeat an Order to Show Cause Re Contempt, rather the
21 declaration was submitted in support of the then pending
22 application for a stay. Because we wanted to apprise the
23 Court of the various difficulties that we had encountered in
24 trying to comply with the Court's order.

25 A contempt is a disrespect of the authority of the Court,

1 a disrespect of a Court order. Here VidAngel has never
2 disrespected the authority of the Court to enter the
3 preliminary injunction it did. VidAngel has consistently
4 said that if it did not get a stay, it would comply
5 immediately.

6 THE COURT: That's the point, counsel. That's the
7 point. I think this was the second or third question I
8 asked you. And I haven't heard an answer to it.

9 What authority do you rely on that suggests that a
10 company can say and legally say we're going to comply if the
11 Court doesn't grant a stay?

12 That's the struggle I'm having. You're saying it's a
13 matter of disrespecting the Court's order. I'm not
14 convinced of that. It's simply the standard is, did they
15 violate the Court order, was it beyond substantial
16 compliance, not based on good faith and reasonable
17 interpretation of the order by clear and convincing
18 evidence?

19 The part I'm struggling with is, yes, you say "we
20 complied," I agree with you, but there are statements from
21 both yourself and I believe Mr. Harmon that early after the
22 Court issued its order on the 12th or maybe 13th or 14th
23 that said that we will comply if the Court denies the stay.

24 My question, what is the authority that allows a party to
25 do that? I'm not aware of any. If a Court, any Court

1 issues, enjoins someone from doing so, there is nothing that
2 I'm aware of that suggests that it's contingent upon one of
3 the parties filing an ex parte application for a stay and
4 it's contingent upon the Court's ruling on that stay. That
5 is what I'm struggling with.

6 And when I look at the record before me, it seems as if
7 defendant has made a strategic decision, which they're
8 entitled to do, that we were not going to abide by this
9 order until the Court made a ruling on the stay. And the
10 concern I have about that is that if I had taken a month or
11 two months, it sounds like the defense position is that it
12 would have -- that would have somehow authorized VidAngel to
13 continue its activities. I'm not seeing any authority for
14 that.

15 MR. QUINTO: Your Honor, I think this is one of
16 quite a few instances in law where there is a difference
17 between what the legal authority states or what the rules
18 state and the custom and practice.

19 And in my experience, custom and practice has always
20 been, among every practitioner I know, that if an
21 injunction, a preliminary injunction has, or even a
22 permanent injunction, has unintended consequences that the
23 Court could not foresee, that it would be acceptable in that
24 instance to ask the Court to reconsider.

25 THE COURT: But did you do that in this case?

1 MR. QUINTO: Yes, we did, Your Honor. We sought a
2 stay, and we supplemented our initial stay application which
3 was filed essentially a day-and-a-half after we got the
4 notice of preliminary injunction. We supplemented it with
5 the Harmon declaration. That was intended to apprise the
6 Court of the many problems that we had encountered in trying
7 to give effect to the preliminary injunction without causing
8 adverse effects to the rest of VidAngel's business. And the
9 Court has no way of knowing what effect the immediate
10 enforcement of the preliminary injunction would have.

11 The problem was compounded by the unfortunate timing.
12 The motion was initially set October 24. At my request the
13 hearing was continued to October 31. The Court continued
14 the hearing to November 21 I believe. We then, at
15 plaintiffs' request, asked the Court to hear it on November
16 14. And after it was heard on November 14, the Court took
17 close to a month to decide it. And that put us into
18 mid-December.

19 What nobody had briefed, because nobody had anticipated
20 that a preliminary injunction would issue in mid-December
21 when the motion was initially set for hearing on October 24,
22 was that it would be impossible to modify many of the apps
23 that VidAngel uses to serve its customers.

24 THE COURT: I have to tell you, what you just stated
25 just sounds like it's everybody else's fault other than

1 VidAngel's as to why we're here today, and that just doesn't
2 fly. I mean, even just your last statement that this
3 occurred during a holiday season and there is some issue
4 with these apps -- we're now in January. Is the holiday
5 season not over according to these apps? And there is
6 declaration from Mr. Kay from Roku that seems to suggest
7 otherwise. If what you're saying is true, presumably after
8 the holidays, all of these apps and all these things could
9 be worked out. Moreover, VidAngel decided to shut it down.

10 So I'm having trouble reconciling all of this. And then
11 I have to push back on this notion of this practice -- I
12 recognize I've not been on the bench long. I've not heard
13 of this practice that while a stay is being requested that
14 there is some grace period. This is not like Blockbuster,
15 you get a couple days to return a movie.

16 When the Court issues an order, I think there is an
17 expectation that the order is to be complied with
18 immediately. If there was an issue, one would expect, like
19 you did in the Pregerson matter, to apprise the Court of the
20 issues relative to it, and specifically request we need time
21 to comply.

22 All I got from you was Mr. Harmon's declaration on the
23 21st in support of the ex parte application. It wasn't
24 titled status update, request for more time to comply. It
25 was in support of an application to stay the matter pending

1 a Ninth Circuit appeal. There was no request I don't
2 believe --

3 I take that back. At the very end of Mr. Harmon's
4 declaration, he said, "We would like to request a reasonable
5 period to comply." If that's your motion, I think that is a
6 little disingenuous to suggest one sentence in Mr. Harmon's
7 declaration is somehow to be interpreted as a motion for the
8 Court to reconsider how VidAngel will be able to comply and
9 allow them more time.

10 I go back to what I think happened here, is that the
11 parties -- VidAngel, counsel, combination thereof, made a
12 decision, we're not complying with the order. We don't
13 think we have to comply until we hear back from the Court on
14 the ex parte application. And once that happened, you said,
15 okay, we'll shut it down.

16 And, again, this still strikes me as odd, given the fact
17 that originally the plan was to try to take only the
18 plaintiffs' work. But then all of a sudden, the Court
19 issues this denial of the ex parte application and VidAngel
20 decides we're shutting it down.

21 So I've said a lot. It's a bit challenging to sort of
22 hear this argument when there are documents that seem to
23 suggest or at least raise questions about the statements.

24 MR. QUINTO: I will continue to say, Your Honor,
25 that the Court appears focused on whether VidAngel should be

1 punished for what it did. But the Order to Show Cause --
2 the application that plaintiff submitted was not an
3 application to punish VidAngel --

4 THE COURT: The application was an Order to Show
5 Cause as to whether or not VidAngel complied with the
6 Court's order. I'm trying to ascertain whether VidAngel
7 complied with the Court order. You keep wanting to focus on
8 the fact that you believe, by virtue of the fact that
9 VidAngel complied when it wanted to, that that somehow
10 absolves VidAngel from any jurisdiction of the Court. And
11 until you give me some authority to suggest otherwise, I'm
12 going to have to respectfully disagree with that assertion.

13 MR. QUINTO: I understand that's the Court's
14 position. Procedurally, Your Honor, the plaintiffs are
15 seeking a sanction solely to compel VidAngel to comply with
16 the order, and VidAngel has been clear from the outset that
17 if it didn't get a stay, it would comply fully with the
18 Court's order.

19 And it has done so. It did so within hours after its ex
20 parte application was denied. It did so before the Court
21 granted the Order to Show Cause. It even notified the Court
22 of its full compliance before the Order to Show Cause
23 issued, and it did so even though doing so had effects,
24 severe effects, on its business far beyond what was intended
25 or contemplated by the injunction the Court issued.

1 VidAngel did not seek reconsideration of the Court's
2 order because VidAngel was not challenging the authority of
3 the Court to issue the order that it issued. All it was
4 asking for was that the Court consider evidence that the --
5 that had never been presented to the Court about the effect
6 immediate compliance would have on VidAngel, as opposed to
7 the effect compliance a short time down the road.

8 Compliance a short time down the road would have allowed
9 VidAngel to write all the code necessary for all the
10 applications and its own systems to allow the injunction to
11 take effect seamlessly.

12 THE COURT: Are you suggesting that VidAngel is in
13 the process of writing this code, so that it could up --
14 bring back movies that are not owned by the plaintiffs?

15 MR. QUINTO: Your Honor, what we're trying to do
16 is -- first, we have been contacting the 100-plus studios
17 and distributors who chose not to sue to say we appreciate
18 that for whatever reason you chose not to sue us, but we
19 don't want you to feel that you're being treated less well
20 because you had the decency not to sue us. So we'll honor
21 the injunction not as to plaintiffs but as to everybody,
22 unless you will give us consent not to sue, preserving your
23 rights, because we don't think that you should be treated
24 less well or treated differently, less favorably, because
25 you had the decency not to sue us. So we've been doing

1 that. And to date, MGM has responded by saying, no, no, no,
2 we want to be treated the same as the plaintiffs.

3 THE COURT: I read your declaration. I'm not sure
4 that answers my question. But go ahead.

5 MR. QUINTO: At this point, we are now able to start
6 writing code with respect to some of the applications and
7 not with respect to other apps. Your Honor referenced the
8 declaration of Mr. Kay a moment ago. I would point out that
9 the first sentence of paragraph 4 of Mr. Harmon's
10 declaration acknowledges that works can be added or taken
11 away.

12 What Mr. Harmon's point was, and what Mr. Kay does not
13 dispute is that the code cannot be altered. The program
14 cannot be altered during a blackout period. So, for
15 example, if I were to use a library as an analogy, a library
16 might have thousands of books checked out --

17 THE COURT: Mr. Quinto, I understand your argument
18 with respect to the blackout period. I read these papers
19 over and over again. I understand that. I'm not sure that
20 is relevant to what we're talking about here. And I'm just
21 trying to understand your position.

22 Procedurally you're suggesting that this is a moot
23 hearing. And so then if I understand you correctly, it
24 would be incumbent upon the plaintiff or the Court on its
25 own motion to then issue an Order to Show Cause as to why

1 there was not a lack of compliance between December 12th and
2 December 29th.

3 MR. QUINTO: Well, there has been no such order.

4 THE COURT: We can rectify that.

5 I'm asking you, is that your position?

6 MR. QUINTO: Your Honor, if I may, well, my
7 position -- VidAngel's position, Your Honor, is that for
8 purposes of today's hearing, we have to focus on what the
9 actual application before the Court is.

10 The actual application pending before the Court is an
11 application that seeks to compel VidAngel's compliance. And
12 I would make the following additional points, Your Honor.
13 First, the application was utterly unnecessary because
14 VidAngel has always said that if it didn't get a stay it
15 would comply.

16 THE COURT: Mr. Quinto, I'm going to interrupt you
17 again. Isn't that statement in and of itself a de facto
18 admission of the violation of the Court's order? You're
19 saying we're not going to do this until we hear from the
20 Court on the ex parte application to stay pending the Ninth
21 Circuit. Doesn't that in and of itself suggest that forget
22 the order, we're going to file this other motion, and if and
23 when the judge rules on that motion, then we'll decide if
24 we're going to abide by the original order. Isn't that in
25 and of itself a violation of the original Court's order on

1 December 12th?

2 MR. QUINTO: I don't think it's a contempt, Your
3 Honor. Because a contempt requires a showing of a
4 disrespect for the authority of the Court.

5 THE COURT: I'm not sure it requires a disrespect.
6 It requires a violation by clear and convincing evidence of
7 a Court order. Now, clear and convincing evidence is not a
8 great standard. Again, I go back to if you're saying we
9 have made a decision that we are going to wait until the
10 Court's decision on the ex parte application to stay the
11 order, is that not a violation of the original order? I
12 mean, you know, so I go -- I keep coming back to that. I'm
13 not sure -- you're saying that somehow there needs to be
14 some level of disrespect. Disrespect seems much more
15 personal than necessary.

16 This is a court of law. The Court issues an order. You
17 abide by the order or you don't. If you don't abide by the
18 order, then the next question is, was it based on good faith
19 or reasonable interpretation of the order?

20 We can have that discussion. But this notion that
21 somehow it's no showing of disrespect, I guess that's, you
22 know, it depends on who is listening. Some might argue if
23 you -- if the Court issues an order on the 12th, if you
24 don't abide by on the 13th, 14th, 15th, 16th, 17th, 18th,
25 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th, 28th,

1 29th, some might say that, if I were to use your analysis,
2 that is inherent disrespect.

3 I don't think that's required. It is simply clear and
4 convincing evidence that the contemnor violated the Court
5 order. So it strikes me that you're wasting time or wasting
6 your efforts arguing that there was this disrespect, because
7 I don't think that is required under the law.

8 MR. QUINTO: Well, Your Honor, then I respectfully
9 disagree.

10 But turning to Your Honor's point, we were, I
11 respectfully submit, are trying to examine or raise the
12 issue of what reasonable -- what was required to achieve
13 reasonable compliance. Again, I go back to the point that
14 the Court had no way to know when it issued the order what
15 would be required to put it into immediate effect.

16 THE COURT: Did VidAngel give any information to the
17 Court indicating what would be required to have the order
18 implemented prior to the Harmon declaration?

19 MR. QUINTO: It did not.

20 THE COURT: All right. Go ahead.

21 MR. QUINTO: And that is why the Court had no
22 information. But VidAngel is a company, its business is
23 based heavily on software. Software has to be written by
24 programmers. When you have -- VidAngel has a limited number
25 of programmers. There were lots and lots and lots of pieces

1 of software that needed to be modified. They needed to work
2 seamlessly together.

3 The process of modifying software is you first have to
4 figure out what all you think needs to be done for
5 everything to work in a seamless manner. Then you start
6 writing code that you think will achieve that. Then you
7 test the code to see if there are problems or errors. Then
8 you go back and you try to fix those errors. It's an
9 intensely iterative process. It requires time. It's not
10 like flipping a switch.

11 So I will say frankly, Your Honor, that we never -- our
12 bad, Your Honor; I will take responsibility for this. But
13 we didn't anticipate that any injunction would be as broad
14 as the injunction that issued. We took a little while to
15 figure out what all was required to implement the changes,
16 and we then tried to apprise the Court of that through
17 Mr. Harmon's declaration. I note that the first sentence of
18 paragraph 4 of Mr. Harmon's declaration acknowledges that
19 titles can be added or removed from Roku because that does
20 not require any modification of the code.

21 But if you remove a title, then the system thinks that
22 that title just doesn't exist. So if customers attempt to
23 sell that title back, the system doesn't recognize it and
24 says, you know, we can't give you any sell-back credit. We
25 don't recognize the title.

1 THE COURT: Again, I understand that. I read
2 through that. I understand the difficulties.

3 How does that relate to this issue?

4 MR. QUINTO: Let me proceed, Your Honor. This issue
5 is whether a contempt proceeding was necessary to compel
6 compliance. Now, the Court may want to issue its own Order
7 to Show Cause, if the Court feels that VidAngel should be
8 punished. But the application before the Court does not
9 seek to punish VidAngel. It seems to compel VidAngel to
10 comply. And I wish to address the order that is actually
11 before the Court.

12 So I would say, Your Honor, that first VidAngel -- that
13 first the order accomplished nothing. Because VidAngel
14 complied even before the OSC issued. VidAngel had always
15 said -- VidAngel always said that it would comply, which
16 means that, two, it was never necessary for the studios to
17 bring this proceeding because the studios always knew that
18 VidAngel would comply.

19 THE COURT: What's your evidence to support that?

20 MR. QUINTO: Because VidAngel has said consistently
21 that it would comply if it did not get a stay.

22 THE COURT: If I'm Disney, why should I take comfort
23 in that fact because that suggests there is a lag time?
24 Again, you keep saying, we'll comply when we want to. If
25 the Court denies the motion, the motion for a stay, there is

1 a time period that is in between those two.

2 Again, I keep coming back to, is it your position that is
3 somehow a grace period? Well, it sounds like from what
4 you're saying, maybe not in the law but in practice, that
5 there is a grace period that exists that allows parties to
6 continue to conduct their activities while seeking a stay.
7 Is that your position?

8 MR. QUINTO: Well, if the Court wishes to issue its
9 own OSC directed to whether VidAngel should be punished, I
10 would submit that would be an appropriate inquiry. But as
11 to this proceeding that is before the Court, I would submit
12 that the inquiry is inappropriate because the OSC was sought
13 only for the purpose of compelling compliance.

14 THE COURT: Right. That is why I asked the
15 question. If I'm Disney, on December 13th, if you're still
16 streaming movies on December 14th or 15th, you're putting
17 *Sully* and *Storks* up, why should Disney feel that you're
18 going to comply simply because VidAngel says, we'll comply
19 if the Court denies an ex parte application?

20 I mean, that is what -- I'm trying to stick to your
21 point, as narrow as you want to define it for purposes of
22 this argument. During this time period where Disney raises
23 the issue, they're saying you were not in compliance.

24 MR. QUINTO: Those two movies should not have been
25 put up, as we've apprised the Court. The moment Disney

1 called our attention to that, we implemented a new
2 procedure, no movie would be put up until I personally
3 approved it, and that was implemented so that I could make
4 darn sure that no more works owned by any of the plaintiffs
5 were put up.

6 THE COURT: All right. So I understand that.

7 But what about with respect to other movies of the
8 plaintiffs that were being streamed between the time period
9 of the order and the time period of either your filing of
10 the declaration or Disney's filing for ex parte application
11 for the Order to Show Cause?

12 MR. QUINTO: It goes back to the problem that we
13 have before, which is that to avoid harm to the business
14 greater than we believe the Court contemplated when it
15 issued its preliminary injunction we needed a reasonable
16 time.

17 THE COURT: Did you convey that to the plaintiffs?

18 MR. QUINTO: We tried to do it through the
19 declaration that we submitted to the Court.

20 THE COURT: Of Mr. Harmon on the 21st?

21 MR. QUINTO: Yes, Your Honor.

22 THE COURT: That is still nine days after the
23 Court's order. I want to make sure I understand the timing.
24 Nine days later, that's when you decided to inform Disney
25 and the Court that, hey, Houston, we have a problem with

1 complying with the Court's order?

2 MR. QUINTO: Yes, Your Honor.

3 THE COURT: So I go back to as it relates to what
4 you believe this motion is about, about compliance. Are you
5 suggesting that Disney has no remedy for their motion to
6 seek compliance when admittedly from the 12th through the
7 19th VidAngel did not comply with the Court's order?

8 MR. QUINTO: That's correct. The only remedy they
9 would be entitled to is a sanction compelling compliance,
10 and VidAngel is undeniably, inarguably in compliance.

11 THE COURT: Okay.

12 MR. QUINTO: Further, Your Honor, I would note that
13 this is really a legal dispute between two businesses
14 concerning -- for plaintiffs and VidAngel, concerning the
15 interpretation of the Family Movie Act. We have -- I will
16 say honest differences of opinion concerning how that law
17 should be interpreted. VidAngel honestly believes it's
18 complying with the Family Movie Act; Disney and the Court
19 disagree. That's fine.

20 THE COURT: Tell me again how does that relate --
21 I'm trying to listen to what you're saying. I'm not sure
22 that that has any bearing on what you described as the only
23 purpose of this motion, compliance.

24 MR. QUINTO: No, there is a purpose behind the
25 motion.

1 THE COURT: But -- that -- I don't know if that's
2 appropriate to have a discussion. Just because you think
3 there is another meaning behind the motion -- I'm doing what
4 you're asking, okay. You're trying to play word games and
5 saying that this motion is only about compliance.

6 What does the difference in your interpretation of the
7 Family Movie Act have to do with whether or not you comply
8 with the Court's order?

9 MR. QUINTO: I'm not playing a word game, Your
10 Honor. That is what the application --

11 THE COURT: What does the Family Movie Act and your
12 differences of opinion on it have to do with whether or not
13 VidAngel complied with the Court's order?

14 MR. QUINTO: The following, Your Honor:
15 Notwithstanding my view as just stated, that there is a
16 difference of opinion concerning the law and that VidAngel
17 is trying in good faith to comply with the Family Movie Act
18 as it understands it. The plaintiffs have from the outset
19 tried to throw mud at VidAngel --

20 THE COURT: This is not a jury trial, counsel. You
21 keep talking about --

22 Mr. Quinto, look, respect the call, respect the
23 institution. I've asked you again, tell me what that has to
24 do with -- you can say they're slinging mud, fine. That's a
25 different time, different place.

1 According to you, this motion is about compliance with
2 the Court's order. I'm still having trouble understanding
3 what your perceived mud-slinging of this litigation has to
4 do with whether or not VidAngel complied with the Court's
5 order.

6 MR. QUINTO: According to the studios, Your Honor,
7 we're here today only solely because they want to recover
8 some attorneys' fees that they say were necessitated by
9 bringing their ex parte application seeking an Order to Show
10 Cause.

11 THE COURT: That's not why we're here today. We're
12 here today, as you point out, they filed a motion for an ex
13 parte application for an Order to Show Cause. I, as the
14 Court, decided to have a hearing on that motion. The
15 attorneys' fees thing didn't come up until last night. I'm
16 trying to find out why -- tell me why you believe you
17 complied with the Court's order.

18 MR. QUINTO: Your Honor, I think I've been very
19 clear that VidAngel was not in compliance with the order,
20 and I think I've been very clear that the reason VidAngel
21 was not in compliance was that immediately compliance would
22 have had effects on VidAngel far greater than the Court
23 could anticipate, far greater than would occur if the
24 preliminary injunction -- if VidAngel were given a
25 reasonable period of time to comply with the preliminary

1 injunction to minimize all the collateral effects that
2 immediate compliance would have.

3 But, Your Honor, the plaintiffs' application sought two
4 things. First it sought the imposition of sanctions for the
5 purpose of forcing VidAngel to comply, and there is no
6 dispute that VidAngel complied even before the OSC issued.

7 The second request that the plaintiffs make is for an
8 award of attorneys' fees that they say were necessitated by
9 the motion. In seeking that award, they have four counsel
10 sitting at the table --

11 THE COURT: Mr. Quinto --

12 MR. QUINTO: Several lawyers have flown here from
13 out of town. The collective billing rate --

14 THE COURT: Are we going to continue to talk over
15 each other? Is this how we're going to do this?

16 Mr. Quinto, that has very little to do -- the plaintiffs'
17 application is for an Order to Show Cause why VidAngel
18 should not be held in contempt for violating the preliminary
19 injunction order. Okay. I mean, that's what it's about.

20 You say it's only an order to compel compliance. The
21 order reads, why they should not be held in contempt for
22 violating the preliminary injunction order. That strikes me
23 as a different analysis. The question is: Did VidAngel
24 violate the Court's order? If so, then we will discuss what
25 the sanction should be.

1 Now, I mean, with all due respect, I don't think you've
2 answered the question about why whether or not you violated
3 the Court order. Let me take that back. I believe your
4 position is that the custom and practice is such that when
5 seeking a stay a party does not necessarily have to abide by
6 the Court's order until a decision on the stay is made.

7 Would that be a fair statement?

8 MR. QUINTO: No, Your Honor.

9 THE COURT: Okay. Could you tell me concisely
10 what's your position with respect to whether or not VidAngel
11 violated the injunction.

12 MR. QUINTO: First, I want to be clear that in our
13 view the plaintiffs' application in no way raises the issue
14 of a sanction once VidAngel is in compliance. And that if
15 the Court is considering sanctioning VidAngel for past
16 behavior, that is something that is not before the Court on
17 the present application, and that would be a potentially
18 quasi-criminal proceeding. Different proceeding.

19 THE COURT: Tell me why you believe it's a quasi --
20 there is a concept known as civil contempt and criminal
21 contempt. I'm not sure why you believe that somehow this
22 case touches upon quasi-criminal contempt.

23 MR. QUINTO: Because it's punitive in nature. The
24 civil contempt --

25 THE COURT: Are you suggesting that in civil

1 contempt no monetary sanction can be awarded? If monetary
2 sanctions are awarded, that makes it a quasi-criminal
3 contempt?

4 MR. QUINTO: Clearly, monetary sanctions could be
5 awarded in two circumstances. One is if VidAngel were not
6 in compliance today with the preliminary injunction the
7 Court could award monetary sanctions in an effort to
8 persuade or force VidAngel to comply. Also if an act of
9 contempt occurs in the presence of the Court, i.e., in the
10 courtroom, then a court has authority to sanction the
11 contempt that occurred in its courtroom.

12 But if the Court is simply seeking to punish a party for
13 something that occurred outside the presence of the Court,
14 to punish a party for something that occurred in the past,
15 then that, yes, raises the issue of whether it's quasi
16 criminal because it is punitive in nature.

17 But here, Your Honor, the plaintiffs are seeking a
18 finding of contempt for one purpose only, which is to color
19 VidAngel in the public eye as a bad actor. That is why --

20 THE COURT: I think VidAngel might have done a good
21 job of that itself.

22 MR. QUINTO: Well, they're asking the Court to put
23 its imprimatur on the allegations that they made in the
24 Complaint that were, if not made in a Complaint would have
25 been trade libel considering all the ways which they have

1 deliberately mischaracterized VidAngel's business,
2 deliberately misrepresented what it's doing, the way they
3 have suggested that unlike a legitimate service, which pays
4 for streaming license, VidAngel doesn't pay, that VidAngel
5 rips them off, that VidAngel pays nothing. All these
6 allegations are simply false and intended to smear VidAngel
7 in the public eye.

8 And now they send four lawyers here two from out of town
9 for the sole purpose of trying to persuade the Court to
10 issue an award of attorneys' fees solely so that they can
11 trumpet that VidAngel was in contempt of court.

12 As VidAngel has tried to explain, the preliminary
13 injunction, if implemented immediately, would have had
14 consequences far beyond what the Court intended and far
15 beyond the four corners of the injunction, and the evidence
16 of that is that VidAngel is completely dark today and
17 yesterday began issuing layoff notices to employees.

18 So, you know, with time to implement the injunction,
19 VidAngel could have implemented it in a fairly clean fashion
20 that would not have caused collateral damage to its
21 business, but the immediate implementation caused harm to
22 VidAngel far greater than the four corners of the
23 preliminary injunction would lead anybody to believe would
24 occur.

25 THE COURT: I want to make sure I'm clear for the

1 record. Did VidAngel notify the Court of those issues prior
2 to the Harmon declaration on December 21st?

3 MR. QUINTO: It did not.

4 THE COURT: All right. We've been at this an hour.
5 Do you have anything further you wish to add?

6 MR. QUINTO: I would also point out that the fees
7 request is unreasonable in a number of respects. Among them
8 that the time entries and the hour totals do not correspond.
9 For example, the first entry is Mr. Klaus, and he breaks
10 down his time into segments totaling 5.6 hours, but the
11 total given is 5.4. Advantage VidAngel.

12 The next entry is Ms. Ehler's entry, and she breaks her
13 time down into segments totaling 6.8. Hours total is 7.1.
14 Advantage plaintiffs. But beyond that, it reflects that we
15 have three lawyers participating in telephone calls to
16 clients. We have 43.8 hours at an average discounted rate
17 of \$612 an hour to prepare the application saying you got to
18 comply with the Court order, you're not in compliance,
19 therefore, an OSC should issue, period.

20 These were all unreasonable.

21 THE COURT: Thank you, counsel.

22 Mr. Klaus, I assume you have nothing to say?

23 MR. KLAUS: Thank you, Your Honor. I'll try to be
24 brief.

25 THE COURT: Look, I guess, I ask you if you could --

1 I want to make sure you have the opportunity to be heard.
2 But focus on Mr. Quinto's suggesting that this is neither
3 the time or place to deal with any issues with respect to
4 conduct in the past. So I would like to hear your comments
5 as it relates to that. You can make any other arguments you
6 deem appropriate.

7 MR. KLAUS: Sure. He's absolutely wrong about that.
8 The request that we made, and that he has ignored, is in the
9 proposed order that we submitted on December 22, Docket No.
10 161-5, asks not only for a finding they were in contempt and
11 a coercive order if they didn't comply but such other and
12 further relief as may be just and proper, including without
13 limitation reasonable attorneys' fees in connection with the
14 proceeding.

15 And as we pointed out in our response paper last night,
16 Your Honor -- and we gave a citation to both an opinion from
17 Judge White in the Northern District, the Adobe Systems vs.
18 Software Tech case, 2015 Westlaw 6951875 at *5, and there is
19 a Ninth Circuit case, General Signal Corp versus Donallco,
20 Inc., 787 F.2d 1376 at 1380, Ninth Circuit, 1986 -- there
21 are two different purposes that a civil contempt can serve.
22 One is to coerce obedience to the Court order. The second
23 is to compensate the party pursuing the contempt action for
24 injuries resulting from the contemptuous behavior.

25 We cited a number of cases for the Ninth Circuit at page

1 5 of our response on attorneys' fees that make it clear --
2 this was Docket 174-1. At page 5 we cited numerous cases
3 that make clear that attorneys' fees for having to get us to
4 come forward and bring this motion are fully compensable.

5 THE COURT: What is your response to VidAngel's
6 argument that, look, this was completely unnecessary; by the
7 time you filed it VidAngel was in compliance?

8 MR. KLAUS: So the time we filed it -- I want to
9 make sure the chronology is clear here. The Harmon
10 declaration on December 21st didn't simply appear out of the
11 blue because VidAngel was trying to tell the Court and the
12 plaintiffs what a hard time VidAngel was having.

13 The reason that it appeared was that the day before that
14 Harmon declaration, on December 20th, I filed a supplemental
15 declaration, Docket No. 156. What I pointed out was they
16 are not complying with the injunction. They're flouting it.
17 They're ignoring it. They're adding new titles. We showed
18 they were adding new titles to it.

19 And I said in paragraph 3 that their defiance of the
20 preliminary injunction was flagrant. If they will not
21 complete with the preliminary injunction immediately, we
22 have no option other than to move ex parte for an Order to
23 Show Cause why they should not be held in contempt.

24 I told them the next day in the e-mail that Your Honor
25 had referenced, which was an exhibit to my declaration in

1 support of the ex parte application, that we would move for
2 contempt.

3 Then we get Mr. Harmon's declaration which purports to
4 state a whole bunch of problems that VidAngel has discovered
5 that it would have in complying with the injunction. They
6 didn't discover this on the 21st, they didn't discover this
7 on the 20th. They put in an opposition a declaration from
8 Mr. McDonald, the head of their tech team, that is Docket
9 164-3, the declaration of Jarom McDonald. What he says is
10 the morning after the injunction issued they had a meeting
11 with counsel present -- so he's not going to tell you what
12 they said -- but what he then says is, I went out and I
13 started to investigate. We started contacting our mobile
14 app people. And on December 14th, we had to sketch out all
15 the changes we would make to our core API code, to the Web
16 front end to our apps. So by the morning of the 14th their
17 tech people apparently have figured out this would be a huge
18 code writing issue.

19 And let's come back to whether that is supported by the
20 evidence --

21 THE COURT: Well --

22 MR. KLAUS: I don't want to get into those details.
23 My point is that by December 14 they realized there was a
24 problem. What they did instead was they decided that they
25 would gamble. They thought they would wait and see if they

1 could get a stay from this Court or from the Ninth Circuit,
2 so that they would not lose customers, so they would be able
3 to continue making money over the busy holiday period.
4 That's what happened here.

5 You asked Mr. Quinto several times, Your Honor, for
6 authority that says that a party can simply decide that it's
7 going to wait -- it's going to roll the dice on a stay
8 application and wait to see what happens. There is no
9 authority.

10 THE COURT: I guess Mr. Quinto is suggesting that
11 based on his experience that there is this practice that
12 exists.

13 MR. KLAUS: So I haven't been practicing law as long
14 as Mr. Quinto has. I think I have only been out of law
15 school for, hate to say it, 25 years now. I have never seen
16 a party flout an injunction in this way. Never seen it,
17 Your Honor.

18 THE COURT: Let's be fair to VidAngel. They're
19 saying they weren't flouting. They're simply saying that
20 there is a practice that exists where while the parties are
21 seeking a stay everything is on hold.

22 MR. KLAUS: We've looked for cases that might
23 suggest that. I know they've looked for cases that would
24 suggest that. There aren't any. The cases that we found
25 and that we've cited in our papers that said you have to

1 comply immediately, there is the Second Circuit case that we
2 cited that said you're proceeding at your own peril, if you
3 think that filing the stay application will -- Your Honor,
4 I'm not aware of any custom, any practice in this court or
5 any court that says, if you're going to move for a stay,
6 that's a different thing.

7 And, Your Honor, the stay papers -- and Mr. Quinto has
8 admitted this -- the stay papers they filed on the 14th said
9 nothing about the technical problems. The idea that they
10 think about the technical problems or there was no reason to
11 think about them when the injunction that we requested
12 itemized the relief -- stop circumventing, stop copying,
13 streaming immediately. There was nothing ambiguous about
14 what we requested. There was absolutely nothing
15 ambiguous about the Court's order.

16 THE COURT: Let me jump back, if I could.

17 What's your response to the notion that if indeed
18 sanctions are supposed to compensate the moving party, I
19 think Mr. Quinto might argue that, well, by the time you
20 filed the document, we were already in compliance, and
21 therefore the investigation and the fees associated with it
22 should be far less than what you've submitted.

23 I'm trying to interpret things in the light most
24 favorable to the defendants for a second.

25 MR. KLAUS: Well, you said, "By the time we filed

1 the document." So when we filed the ex parte application on
2 the 22nd, this was the day after Mr. Harmon's December 21st
3 declaration, we had said on December 20th if they won't
4 comply, we'll have no choice but to do this.

5 We filed on December 22nd and said we need your help.
6 They are not -- they will not comply with the preliminary
7 injunction unless the Court orders them to do so and holds
8 them in contempt.

9 What they said on the 23rd -- at that point, Your Honor,
10 when we filed it, there was no indication that this was a --
11 certainly was not a moot issue. Mr. Quinto admitted here
12 today they continued to stream our works on their service
13 through December 29th.

14 And what they actually said in opposing our ex parte
15 application -- this is, Your Honor, if you look at their
16 opposition to our ex parte. The date was December 23rd.
17 It's document Docket No. 164. What they actually said
18 was -- if you look through pages 1 and 2, what they said was
19 that they would need a reasonable time to implement
20 necessary changes so that they could await a decision on
21 their stay request made to this Court. And then on page 2,
22 "And if necessary on an emergency stay request to the Ninth
23 Circuit, which must be made within one week of the Court's
24 decision on the pending stay request."

25 They said at the bottom of page 2 that "contempt is a

1 drastic remedy that is not required here especially on an ex
2 parte basis. VidAngel has declared that it will fully
3 comply with the order if no stay is granted."

4 To be clear, Your Honor, they weren't talking about the
5 stay request to you. What they were saying to us, to the
6 Court, to the world, we'll go forward and if you deny the
7 stay request, we'll consider the fact we have a week to make
8 an application to the Ninth Circuit and wait for them to get
9 back to us; that gives us even more time. Again, no legal
10 authority for it. No custom and practice. And what they
11 were basically saying to us is, we're not going to do
12 anything until all of our avenues for a stay are denied.

13 Now, it is correct on the 29th Your Honor denied their
14 stay request in its entirety. And they then made a decision
15 that they would stop the servers for all works. I don't
16 think that was because they had all of a sudden thought that
17 they should not go make a stay request. I think they
18 realized, quite frankly, when they went to the Ninth Circuit
19 the next day with an emergency motion for a stay, they were
20 going to look terrible for being in noncompliance with a
21 pending injunction.

22 But whatever the reason, they finally stopped the
23 streaming. They showed, contrary to what Mr. Quinto says,
24 they could turn on a dime, and they could stop the streaming
25 of our works immediately. They had the full technical

1 ability to do that.

2 We now have -- Mr. Quinto says that Mr. Harmon in his
3 declarations, there were two of them, one on the 21st and
4 there is another one on the 23rd, which they revised,
5 because there were misstatements that he had made in the
6 first one. They now say that Mr. Harmon was candid with the
7 Court and admitted that our titles could actually be
8 removed.

9 I have looked at both iterations of the declaration. He
10 is anything but clear in terms of saying, we could actually
11 take your titles down. There is a lot of the verbiage about
12 we would need to rewrite apps. There are in-app purchasing
13 problems. He never says that we could actually just pull
14 the individual titles so they didn't -- so they would not
15 appear.

16 The other thing I point out is Mr. Quinto says that this
17 was -- they could have had an orderly transition and that
18 there were severe effects on the business. And, Your Honor
19 asked Mr. Quinto, why aren't the other works back up? Where
20 is the other 47 percent that you feel so confident about?

21 I would just point out, Your Honor, in Mr. Quinto's first
22 declaration on December 23, this is Docket 164-2, the reason
23 there hasn't been a reposting or that there is no recoding
24 going on by the VidAngel software engineers to put this back
25 up, in paragraph 4 is what he's saying, is that the concern

1 is that VidAngel does not want to risk exposure to
2 intentional infringement claims in light of the rationale
3 behind this Court's ruling.

4 That is why -- that's -- the severe effect on the
5 business is not it takes a lot of things to rewrite code,
6 it's going to take engineers hours and hours and days and
7 days. The reality is they haven't put the other material
8 back up because they're worried that they'll be sued by
9 other people, and that that will be a basis, among many
10 others, for a claim for damages for willful copyright
11 infringement and enhanced statutory damages.

12 That's what the explanation is. It belies the argument
13 that what was going on prior to December 21st or December
14 23rd or even December 29th was a concern about the severe
15 effect on the business of having to deal with the apps.

16 I'll say very briefly with respect to the attorneys' fees
17 application, I think it's quite modest. I appreciate the
18 fact that Mr. Quinto has decided to appear here himself
19 alone today.

20 THE COURT: Despite the fact that there were two
21 other firms at many of the other hearings that were here as
22 well.

23 MR. KLAUS: Yes, Your Honor. Exactly.

24 I would also point out with respect to the two typos that
25 Mr. Quinto found in Exhibit A, he's correct, the number on

1 my line should have been 5.6 for December 21st instead of
2 5.4. I'll take the hit of the .2. With respect to
3 Ms. Ehler, the numbers -- there was a typo that omitted
4 the .3 at the end. And this is really neither here nor
5 there in terms of all that, Your Honor.

6 We think it's an incredibly reasonable request, given the
7 nature of the conduct, which I will just say, Your Honor,
8 again, in the time I've been practicing, I've never seen an
9 affront to the Court or the rule of law on a scale that we
10 have, that we've seen in this case, of somebody simply
11 saying, we're going to relieve ourselves of the obligation
12 to comply with a Court order in an injunction.

13 At the time we filed the motion, the ex parte application
14 on the 22nd, there was no indication they would be brought
15 into compliance unless and until we got an order of
16 contempt. There was an admission here today that they were
17 in contempt because they were not complying with a clear,
18 specific directive of the Court between the 12th and the
19 29th.

20 We respectfully request that the Court grant our motion.
21 There is nothing about the nature of the motion, the nature
22 of the relief requested. The nature of these proceedings
23 transforms this into a proceeding for criminal contempt.

24 THE COURT: Thank you.

25 Mr. Quinto, I'll allow you a few minutes to respond.

1 MR. QUINTO: Thank you, Your Honor.

2 I guess the one good thing I've heard today is
3 Mr. Klaus's statement of taking a few years off my age and
4 restoring some of my youth by suggesting we've been in
5 practice the same length of time.

6 Mr. Klaus's speculation about why titles are not going
7 back up or what VidAngel's motivation is is purely
8 speculation. It's not just that 47 percent -- it's not that
9 the vast majority of studios chose not to sue VidAngel. But
10 of the six major studios who belong to the MPAA three chose
11 not to do so, and, as the Court knows, have indicated to us
12 that they would be open to allowing VidAngel to license
13 VidAngel to stream filtered content if the DGA permitted it.
14 So there are a number of studios that would like to offer
15 VidAngel's service if they were not prohibited from doing
16 so.

17 The more important point, though, Your Honor, is that the
18 characterizations of what was going on at VidAngel in the
19 immediate aftermath of the issuance of the preliminary
20 injunction makes it sound like the management team got
21 together around a conference table with wine and cheese and
22 a glass of wine and calmly talked about -- calmly talked and
23 strategized about how best to respond, what to do, when in
24 fact the opposite was the case.

25 It was total pandemonium. Everybody was trying to deal

1 with many, many, many -- we had major investors demanding
2 explanations of what was going on. We had all shareholders
3 who invested in our regulation A Plus stock offering asking
4 for answers, asking whether they could sell their stock
5 back, et cetera, et cetera.

6 So we were trying to deal with all of that. We had our
7 payment processing firm telling us that Wells Fargo Bank was
8 pressuring it to cut all ties with us. We had problems
9 every which way. And everybody was scrambling to try to
10 deal with the most urgent issues. And, frankly, there
11 wasn't an opportunity after the 6:30 a.m. meeting we had on
12 the morning after the injunction issued to get everybody
13 even together by conference call.

14 You know, we're trying to figure out how to respond to
15 questions from users. We're trying to figure out what needs
16 to be altered in the code, how to do it, what the best way
17 to implement everything would be, how much time that would
18 take, what would be necessary with respect to each app to
19 get the necessary modifications made that would allow
20 consumers to understand what was going on.

21 And, yes, it would have been possible to comply
22 immediately. But, again, the real problem was that any way
23 we looked at it, immediate compliance would cause problems
24 far greater than we believe the Court intended or
25 anticipated --

1 THE COURT: Can I ask this question again. Why not
2 inform the Court of that on the 14th or 15th, any time
3 before the Harmon declaration?

4 MR. QUINTO: On the -- on the 14th it would not have
5 been possible, Your Honor. Because we were still in the
6 process of figuring out what all the problems were. And
7 figuring out what would be required to comply.

8 THE COURT: Is it your position, then, that you
9 didn't realize all the problems that your company and this
10 Court didn't anticipate until the Harmon declaration was
11 filed?

12 MR. QUINTO: We could perhaps have filed it earlier
13 than we did, but we could not have filed it by the 14th or
14 15th.

15 THE COURT: Okay. Fair enough.

16 MR. QUINTO: There was a weekend. We were in the
17 process of getting our arms around what all the difficulties
18 were, what the possible solutions for those --

19 THE COURT: I understand. You've said that already.

20 MR. QUINTO: How long the solutions would take to
21 implement --

22 THE COURT: You've said that already. I understand
23 that.

24 I guess the next question I'll ask is why not make a
25 formal motion to appear before the Court to discuss the

1 pressing problems with complying with the Court's order, if
2 in fact that was a genuine issue?

3 MR. QUINTO: Hindsight is 20/20, Your Honor. Next
4 time I would do that.

5 THE COURT: But, again, so I'm clear, you did that
6 with the case with Judge Pregerson, correct? Because I
7 thought in your declaration you indicate your client
8 therefore sought a stay to allow it to continue conducting
9 business operations while undertaking all the tasks required
10 to change its corporate identity. Judge Pregerson
11 understood and ultimately ordered your client to comply in
12 30 days.

13 I want to make sure, there has been a lot of papers
14 floating around, did you do that in this case?

15 MR. QUINTO: I think we did, Your Honor.

16 THE COURT: Tell me when. With the Harmon
17 declaration?

18 MR. QUINTO: Yes. With respect to what happened
19 with Judge Pregerson, one thing that was immediately
20 apparent was that if a corporation could not use its
21 corporate name then unless and until it had a new corporate
22 name, it would be nameless. And how can a nameless
23 corporation do business? It was immediately apparent that
24 all business cards needed to be changed. It was immediately
25 apparent that the website needed to be changed. It was

1 immediately apparent --

2 THE COURT: I understand that. My question is more
3 specific. Let's -- when you found out the issues as it
4 relates to this case, did you seek an application to allow
5 VidAngel to continue conducting business operations while
6 undertaking all the tasks to comply with the Court's order?
7 That's what I'm trying to ascertain.

8 MR. QUINTO: I believe we did, Your Honor.

9 THE COURT: Tell me what is the vehicle by which you
10 believe you did that.

11 MR. QUINTO: Your Honor suggested that we should
12 have used a different procedure. And I will accept that
13 criticism. But I believe we did it in the following way:
14 First, we filed an application seeking a stay of enforcement
15 of the preliminary injunction.

16 THE COURT: Right. And we talked about that
17 already. And in that application, and I'll pull it up, I
18 actually printed out at least the section of the application
19 where you talked about the irreparable injury, and nowhere
20 in there do you suggest that there are any problems with
21 complying with the Court's order. I mean, there is not a
22 word about it. This was filed on the 14th.

23 Now, I'm assuming you're saying that you didn't know
24 about those problems until the 14th. If you didn't know
25 about the problems on the 14th, how can you rely on this

1 document to say this was the vehicle by which you let the
2 Court know about the problems?

3 There is nothing in here when you talk about irreparable
4 harm from the injunction, nothing about sort of what are the
5 practical implications -- I thought you said earlier you
6 didn't know about those practical implications on the day
7 this document was filed.

8 MR. QUINTO: I did, Your Honor. I did say that.
9 And that is correct. We did not -- we understood some of
10 the practical implications, but we did not understand the
11 majority. We did not understand the severity of the
12 practical implications.

13 So we wanted -- to demonstrate that we were not ignoring
14 the preliminary injunction, that we did not intend to
15 communicate or display or express any contempt of the
16 Court's order, we wanted to get a stay application on file
17 quickly.

18 THE COURT: No, I understand. You said that before.
19 My question was, tell me if you did something similar in
20 this case that you alluded to in the Pregerson case. Your
21 response was, on December 14 we filed a document.

22 I looked at that document, and I questioned you as to,
23 well, nothing in the document talked about the practical
24 difficulties, number one, and number two, earlier you said
25 on December 14 you didn't know of all the practical

1 difficulties. So that to me, to use your term, advantage
2 the Court.

3 Let's move on to what is the next thing that you believe
4 demonstrates or supports the notion that you did something
5 similar in this case.

6 MR. QUINTO: I believe I did the same thing in both
7 cases. In both cases I filed an ex parte application
8 seeking a stay as quickly as I could. I did that with Dean
9 Pregerson, Judge Pregerson, and I did that in this case.

10 Then ex parte application was already on file, when we
11 were able to get our arms around the full scope of the
12 problem. Again, if the Court wants to criticize my
13 judgment, so be it. But I did not want to go back before
14 the Court and say we've discovered a bunch of problems
15 period. I wanted to be able to go before the Court to say
16 we've discovered a bunch of problems, and we have
17 investigated those problems to determine how long it will
18 reasonably take us to solve the problems so that we can
19 implement the preliminary injunction without causing
20 collateral unintended effects.

21 Yes, I could easily have said there are problems, but I
22 thought that would be inadequate, insufficient because I
23 wouldn't be in a position to say anything meaningful about
24 how long those problems would take to resolve or what would
25 be required to resolve those problems.

1 So could Mr. Harmon's declaration have been filed a day
2 or two earlier? Yes, it could have been.

3 THE COURT: Right. But I guess, as it relates to
4 Mr. Harmon's declaration, all -- literally I think the last
5 sentence it simply states, we're having all these problems.
6 It doesn't say, and therefore we're asking the Court to give
7 us more time to comply. The Harmon declaration was in
8 support of the original motion.

9 Again, I go back to the original motion said nothing
10 about the difficulties of complying. I'm trying to
11 understand how you expected the Court to construe Harmon's
12 declaration as a plea for we need more time to comply. I
13 construed it as this was your declaration in support of all
14 the legal arguments that you were making as to why this case
15 should be stayed before the Ninth Circuit. If I missed
16 something, tell me.

17 MR. QUINTO: The Harmon declaration did not give a
18 precise date by which VidAngel would be able to comply
19 without causing collateral damage to its business. And the
20 Court has asked about the analogy to the comparison to the
21 application for stay I brought before Judge Pregerson. In
22 that case, I did not specify my -- to the best of my
23 recollection, I did not specify a precise time that would be
24 required to get a new corporate name, to get new business
25 cards, to change the domain name, to rename the website, to

1 change all the invoices, billing, stationery, et cetera.
2 Thirty days was a number chosen by Judge Pregerson that he
3 believed would be reasonable to allow my client to effect
4 those changes.

5 THE COURT: We keep -- sir, please. Your
6 declaration states the following, "My client therefore
7 sought a stay to allow it to continue conducting business
8 operations while undertaking all the tasks required to
9 change its corporate identity."

10 My question to you, again, is: What is the parallel
11 document that you filed in this case that is similar to the
12 one in Pregerson?

13 MR. QUINTO: My client in this case, VidAngel, filed
14 an ex parte application seeking a stay just as we did before
15 Judge Pregerson.

16 THE COURT: Your position is that the document that
17 you filed in this case was asking this Court to allow it to
18 continue conducting business operations while undertaking
19 all tasks required to change its corporate identity or to
20 comply with the Court's order?

21 MR. QUINTO: The application as initially filed
22 based the request for a stay on a different rationale; that
23 there were substantial legal questions. And it did that
24 because, as I've tried to inartfully explain, I felt it
25 would be inadequate and at the end of the day meaningless to

1 the Court for me to simply say, there are all kinds of --
2 there are numerous difficulties involved in implementing the
3 stay immediately.

4 THE COURT: Mr. Quinto, I understood you perfectly.
5 Let me just try to summarize this. You're saying that in
6 the Pregerson case you did the same two-step process that
7 you did in this case. The reading of this suggests that you
8 sought a stay to allow it to continue to conduct business
9 operations while trying to comply with the Court's order. I
10 don't see that here.

11 But you're now saying that you did an initial request on
12 the legal issues. Then filed a supplemental declaration
13 informing the Court of the problems like you did in this
14 case.

15 Is that what you're saying?

16 MR. QUINTO: No, it is not. What I'm saying is that
17 in the case I had before Judge Pregerson the difficulties
18 were immediately apparent --

19 THE COURT: Got it. You're saying the difficulties
20 were not immediately apparent here. Your only vehicle by
21 doing it was the Harmon declaration on the 29th or the 19th,
22 I should say, I'm getting my dates jumbled -- was the Harmon
23 declaration?

24 MR. QUINTO: Well, that's the method that we chose.

25 THE COURT: Got it. That's fine. We can move on

1 from that point. I want to make sure I understand which
2 documents you're saying supports your position. I
3 understand that now.

4 MR. QUINTO: I could have identified some problems
5 in the filing on the 14th.

6 THE COURT: Right. I understand that. They weren't
7 apparent to you. All of them weren't apparent. You said
8 that before. Really, would it be a fair statement to say
9 where you raise the issue is in the Harmon declaration, is
10 that unfair to say, of the difficulties complying with the
11 Court's order?

12 MR. QUINTO: That's the first place we raise it.

13 THE COURT: Got it.

14 MR. QUINTO: After that, and while the stay
15 application was still pending, we filed the declaration of
16 Jarom McDonald, and Mr. McDonald explained in greater
17 technical detail what a number of the problems were and what
18 would be required to resolve them.

19 But going back to the length of the stay requested, the
20 Harmon declaration identified the dates.

21 THE COURT: Yes. I'm well aware of when you thought
22 you could comply. I understand that.

23 MR. QUINTO: And identified when we would be able to
24 modify various apps.

25 THE COURT: So the record is clear, you have made

1 the decision -- VidAngel made the decision to advance those
2 dates and basically shut down the company, if I remember
3 correctly, the Harmon declaration said something like
4 January 27. Obviously, it's January 6. And as you
5 indicate, you've shut down VidAngel -- VidAngel has shut
6 down its services. It has decided to forego this January 27
7 deadline.

8 MR. QUINTO: Right. VidAngel shut its services down
9 entirely last month. Late last month.

10 THE COURT: Perfect.

11 MR. QUINTO: VidAngel is suffering all the
12 collateral damage that it had hoped to avoid if a stay
13 issued.

14 THE COURT: Got it.

15 MR. QUINTO: It has no revenue whatever. The tag
16 team that go through all the movies to tag all the
17 potentially offensive content are being given severance
18 packages, and they're being let go.

19 THE COURT: All right. Thank you, Mr. Quinto. I
20 appreciate it. What I'm going to do is take a brief recess.
21 I want to look over these papers, and then I'll come out and
22 decide how we should proceed with this instant motion.

23 We'll be in brief recess.

24 THE CLERK: All rise.

25 (Court in recess.)

1 THE COURT: Please be seated.

2 All right. Thank you for your patience. I was
3 going over some cases, trying to do some research in
4 chambers.

5 You know, here is the Court's ruling. For a finding of
6 civil contempt one must show by clear and convincing
7 evidence that the contemnor violated a Court order that was
8 beyond substantial compliance, that it was not based on a
9 good-faith and reasonable interpretation of the order. The
10 Court believes that the defendants have shown that in this
11 case.

12 It's the Court's opinion that VidAngel has in essence
13 conceded or admitted that it did not comply with the Court's
14 order at a minimum from the period of December 13th through
15 December 29th. Two movies were uploaded on the site and
16 VidAngel continued to stream other movies until the 29th.

17 However, the defendant has indicated it's come into full
18 compliance with the Court's order. That may suggest that
19 sanctions might not be appropriate in this case.

20 Nevertheless, the Court may award reasonable attorneys'
21 fees to the prevailing party for the investigation and
22 prosecution of the contempt proceedings, and the Court does
23 find that an award of reasonable attorneys' fees is
24 justified in this case.

25 I think as the parties both know, the Kerr factors that

1 bear on whether attorneys' fees should be awarded in a civil
2 contempt finding. I won't go through all of them. I think
3 the timing, labor required, the skill and requisite to
4 perform these legal services, whether the novelty and
5 difficulty of the questions involved, I think all of those
6 factors weigh in favor of awarding attorneys' fees in this
7 case.

8 Simply put: It's the Court's opinion that I think the
9 defendants made a strategic call here. Out of respect for
10 Mr. Quinto, who I've known for a number of years, it appears
11 that call was based in fairness to what he described as a
12 practice of the Court that allows what I would characterize
13 as somewhat of a grace period for compliance while a
14 decision was pending on a stay.

15 However, having spent some time now, the Court is not
16 aware of any such practice, and there is no case law to
17 support that position. To the contrary, the case law
18 suggests that a Court's order is effective immediately and
19 the collateral Bar rule prevents individuals or parties from
20 raising any substantive challenge to a Court order if they
21 disobey it prior to bringing that challenge back to the
22 issuing judge. I found that in a case in the United States
23 Supreme Court case of Walker vs. Birmingham at 388 U.S. 307.

24 And the Court respectfully does not find that the case
25 that Mr. Quinto cites from Judge Pregerson is analogous.

1 The reality, I looked through the papers again, is that
2 there was nothing brought to this Court's attention prior to
3 Mr. Harmon's declaration on December 21st to suggest there
4 was an issue with compliance, complying with the Court's
5 order. And to the extent the issue was raised it is
6 literally raised in one sentence, I think the last sentence
7 of a declaration in support of a motion.

8 There was nothing in the moving papers involving the
9 preliminary injunction motion. Nothing during the arguments
10 of counsel, nothing at all. And, again, moreover to the
11 extent that it was raised, it was not raised in the form of
12 an argument to the Court. It was a sentence by a party not
13 accompanied by a motion, or I should say, it was actually
14 accompanying a motion that never raised the issue of
15 difficulty in compliance in the first instance.

16 And as I've said earlier, you know, the timing of that
17 declaration raises some questions in my mind in light of the
18 fact that it did come, you know, soon if not days before or
19 days after e-mails from opposing counsel indicating issues
20 of compliance in that defense counsel intended to bring this
21 issue to the Court's attention.

22 I recognize hindsight is 20/20. However, I do believe
23 that if defendants felt that this issue was that important,
24 which it sounds like from the argument of Mr. Quinto it was
25 a genuine issue, there were other more direct ways to bring

1 this issue to the Court's attention.

2 As I said earlier this morning, when we first were
3 dealing with this matter I think the Court is obligated to
4 respect all that appear in front of the Court, and by the
5 same token the Court expects similar respect in return.

6 I think the case of In Re Establishment of Hern Iron
7 Works at 881 F.2d 722 really sums it up best. "District
8 Courts, to be clear, like other Courts, are fallible.
9 However, our system is premised on the simple fact that
10 orders, once they are issued, must be respected. If
11 litigants were able to disobey duly ordered judgments of the
12 Courts at will, the integrity of this judicial system, as
13 well as the effectiveness of the administrative search
14 system constructed by Congress would be substantially
15 undermined."

16 Again, I'll be blunt. I think this was an unforced
17 error. One that was, in essence, handed to the plaintiffs
18 when a decision was made to wait until after the decision on
19 the stay was made. Unfortunately, that leaves the Court
20 with no other option but to make a finding of civil contempt
21 against the defendants in this case and to award fees for
22 the efforts that were made to bring this matter to the
23 attention of the Court.

24 The Court has wide discretion with respect to the amount
25 of those fees, and accordingly, the Court will award an

1 amount of \$10,231.20 in United States Dollars to plaintiffs
2 in this case. I've chosen that amount as it reflects the
3 time and effort I believe Ms. Ehler spent in drafting and
4 researching this issue from the period of December 21st
5 through January 4th of 2017.

6 That amount shall be paid to the plaintiffs in this case
7 within 30 days of today's order. And just so we're clear,
8 there are no ambiguities, my count of the 30 days means on
9 or about February 5th. I recognize February 5th is on a
10 Sunday. So that payment shall be paid on or about February
11 6th of 2017. I want to be specific to avoid any perceived
12 confusion.

13 Does either party have any questions with respect to the
14 order of the Court just now?

15 Mr. Quinto?

16 MR. QUINTO: I want to make sure that I've got the
17 number completely accurate, \$10,231.20.

18 THE COURT: Correct.

19 MR. QUINTO: Thank you.

20 THE COURT: Mr. Klaus?

21 MR. KLAUS: No questions, Your Honor.

22 THE COURT: Thank you both. Have a good day.

23
24 (Proceedings concluded.)
25

C E R T I F I C A T E

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4 I hereby certify that pursuant to Title 28,
5 Section 753 United States Code, the foregoing is a true and
6 correct transcript of the stenographically reported
7 proceedings in the above matter.

8 Certified on January 8, 2017.

9
10 /S/ Nichole Forrest
11 Nichole Forrest, RDR, CRR
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8 Attorneys for Plaintiffs

9

10 UNITED STATES DISTRICT COURT
 11 CENTRAL DISTRICT OF CALIFORNIA
 12 WESTERN DIVISION

13

14 DISNEY ENTERPRISES, INC.;
 LUCASFILM LTD. LLC;
 15 TWENTIETH CENTURY FOX FILM
 CORPORATION and WARNER
 16 BROS. ENTERTAINMENT INC.,

17 Plaintiffs and Counter-
 Defendants,

18 vs.

19 VIDANGEL, INC.,

20 Defendant and Counter-
 21 Claimant.

Case No. 16-cv-04109-AB (PLAx)

**SUPPLEMENTAL DECLARATION
 OF KELLY M. KLAUS
 REGARDING VIDANGEL'S
 CONTINUING VIOLATION OF
 PRELIMINARY INJUNCTION,
 FILED IN FURTHER SUPPORT OF
 PLAINTIFFS' OPPOSITION TO
 VIDANGEL'S EX PARTE
 APPLICATION FOR A STAY**

Judge: Hon. André Birotte Jr.

Trial Date: None Set

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1 I, Kelly M. Klaus, hereby declare:

2 1. I am an attorney with Munger, Tolles & Olson LLP, counsel for
3 Plaintiffs in this matter. I am a member of the California Bar and am admitted to
4 practice before this Court. Except as to matters stated on information and belief, I
5 have personal knowledge of the matters set forth in this supplemental declaration; as
6 to those matters stated on information and belief, I am reliably informed of their
7 contents and believe them to be true. If called as a witness, I could and would
8 testify competently to the facts stated herein.

9 2. I submit this supplemental declaration to bring to this Court's attention
10 additional facts relevant to VidAngel's pending application to stay the Preliminary
11 Injunction: VidAngel not only has refused to remove Plaintiffs' works from its
12 service, but VidAngel is also flouting the Preliminary Injunction by *adding* new
13 releases of Plaintiffs' works as they become available on DVD and Blu-ray Disc.
14 For example, as discussed further below, VidAngel has added Warner Bros.'s *Sully*
15 and *Storks* and Fox's *Miss Peregrine's Home for Peculiar Children* to its service—
16 titles which were not released on DVD until after the Preliminary Injunction was
17 entered.

18 3. VidAngel's defiance of the Preliminary Injunction is flagrant. If
19 VidAngel will not comply with the Preliminary Injunction immediately, Plaintiffs
20 will have no option other than to move *ex parte* for an order to show cause why
21 VidAngel should not be held in contempt.

22 4. VidAngel, like any other party, must comply with the Court's
23 Preliminary Injunction "unless and until this or another court has relieved [it] of that
24 responsibility, through a stay, reversal or modification of the order," regardless of
25 VidAngel's objections to the Injunction. *Armstrong v. Brown*, 857 F. Supp. 2d 919,
26 948 (N.D. Cal.), *order enforced* (Aug. 28, 2012), *order aff'd*, *appeal dismissed*, 732
27 F.3d 955 (9th Cir. 2013). VidAngel's filing of application to stay the Preliminary
28 Injunction does not itself stay the Preliminary Injunction. "[T]he party to whom the

1 injunction is directed acts (or fails to act) at its peril if it declines to comply while
2 waiting for decision on a stay application.” *Tekkno Labs., Inc. v. Perales*, 933 F.2d
3 1093, 1099 (2d Cir. 1991).

4 5. Our review of VidAngel’s website makes it clear that, notwithstanding
5 the Preliminary Injunction, VidAngel is continuing to add more of Plaintiffs’ works
6 to its service as soon as those titles are released on DVD and Blu-ray Disc.

7 6. Attached as Exhibit A is a true and correct copy of a screenshot of the
8 “New Releases” section of VidAngel’s website as of yesterday, December 19, 2016.
9 The movies were sorted by date, so the most recently added movies appeared first.

10 7. Attached as Exhibit B is a true and correct copy of a screenshot of the
11 “New Releases” section of VidAngel’s website as of today, December 20, 2016.
12 Here, too, the movies were sorted by date, so the most recently added titles appear
13 first. Warner Bros.’s *Sully* and *Storks*. and Fox’s *Miss Peregrine’s Home for*
14 *Peculiar Children* appear in Exhibit B, but not in Exhibit A. In other words, those
15 titles made it to VidAngel’s “New Releases” today. I am informed and believe that
16 *Sully* and *Storks* were released on DVD and Blu-ray Disc today, December 20; and
17 that *Miss Peregrine’s Home for Peculiar Children* was released on DVD and Blu-
18 ray Disc one week ago, on December 13.

19 I declare under penalty of perjury under the laws of the United States that the
20 foregoing is true and correct.

21 Executed this 20th day of December, 2016 in San Francisco, California.

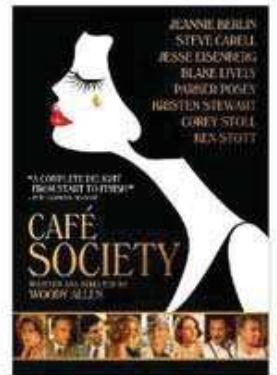
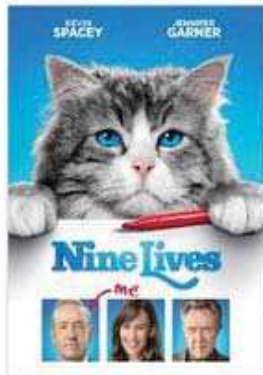
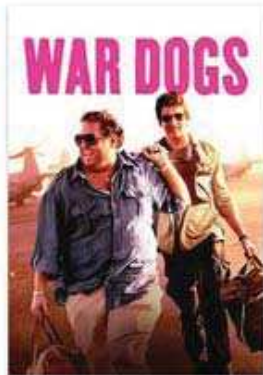
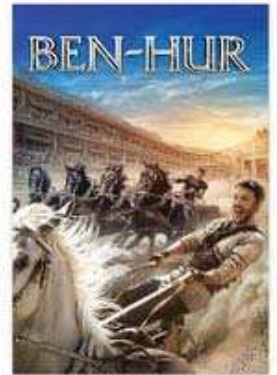
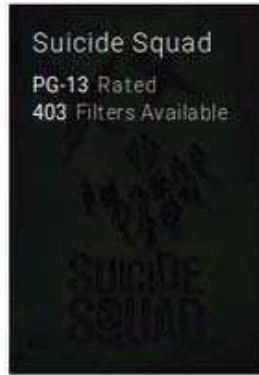
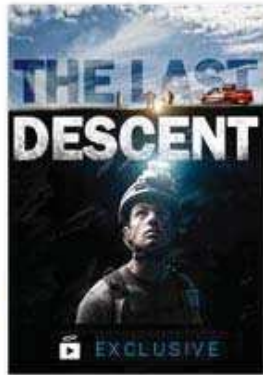
22
23 /s/ Kelly M. Klaus

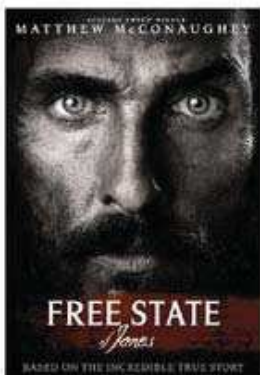
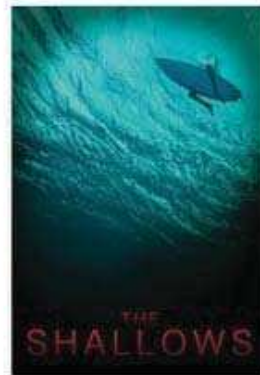
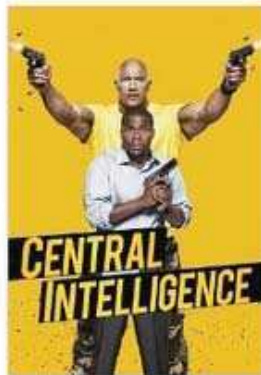
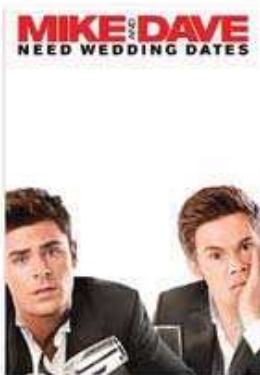
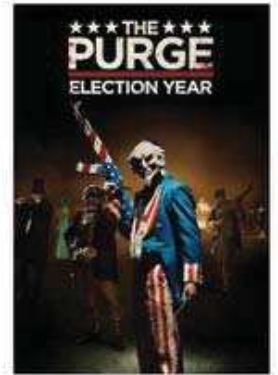
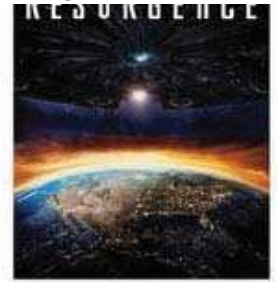
24 Kelly M. Klaus

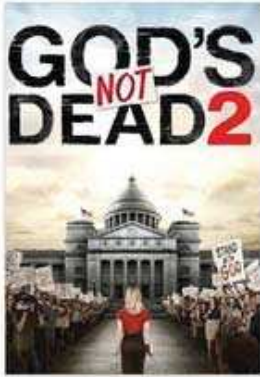
EXHIBIT A

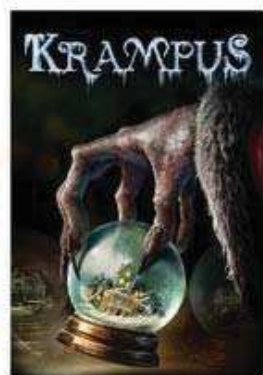
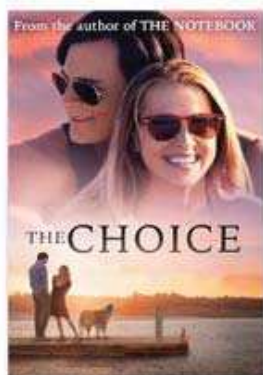
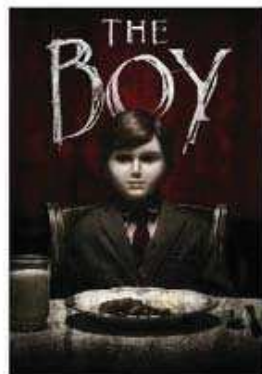
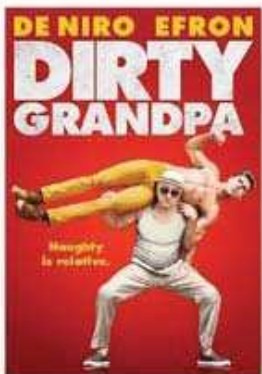
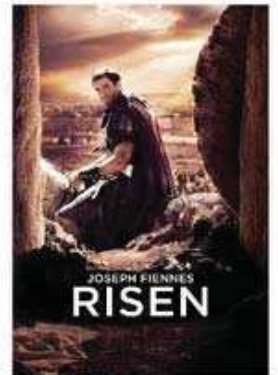
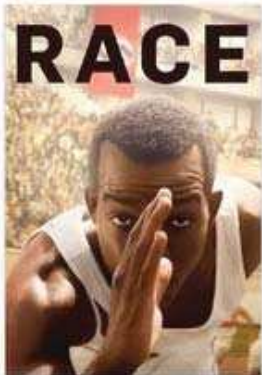
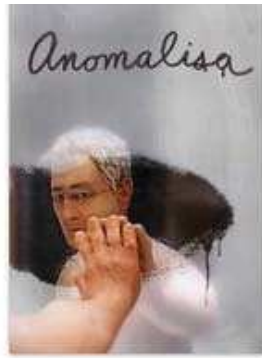
New Releases

A-Z POPULAR RECENT INSPIRING G PG PG-13 R NR











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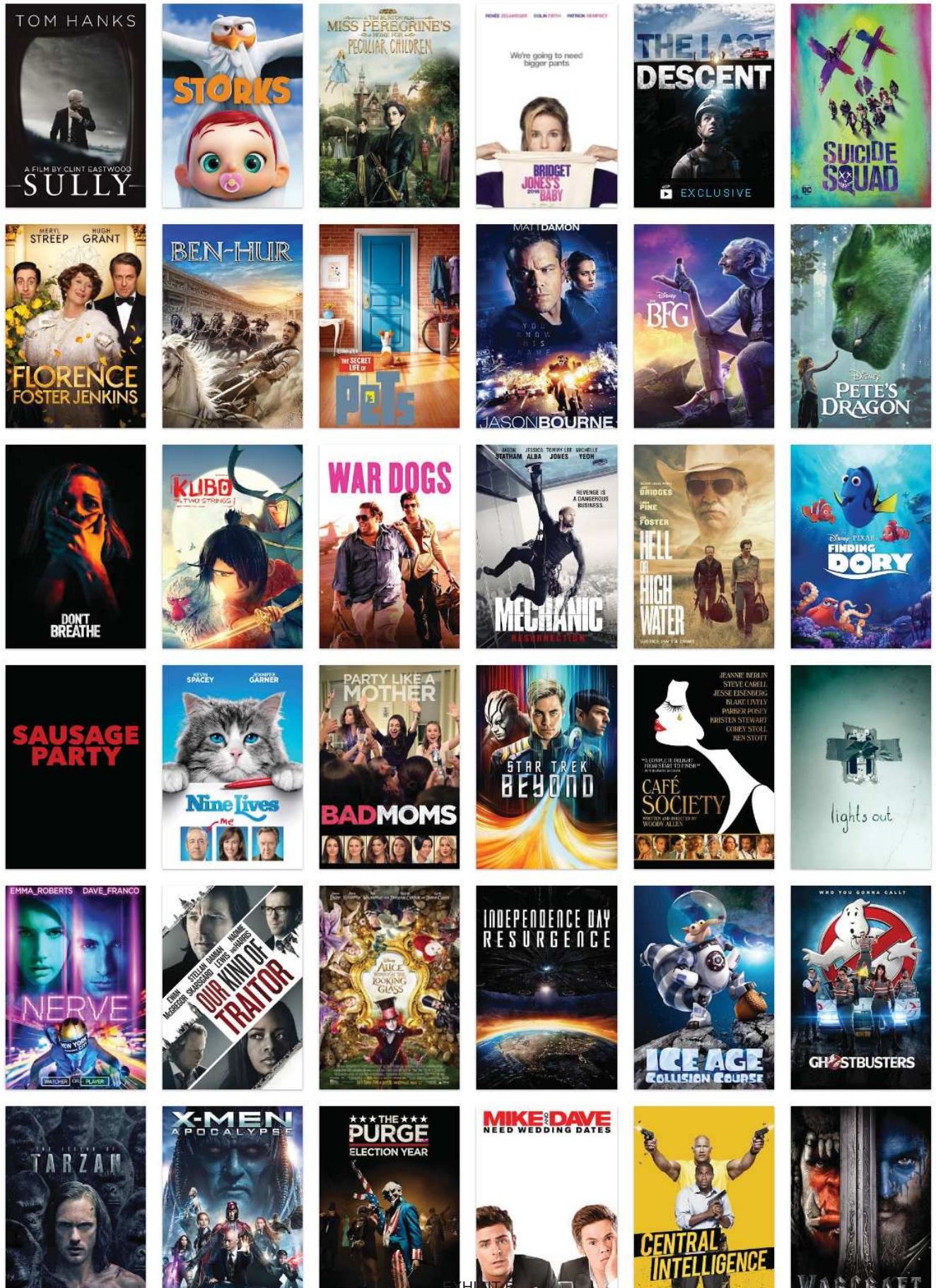
EXHIBIT B

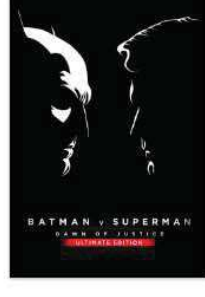
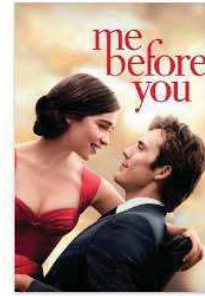
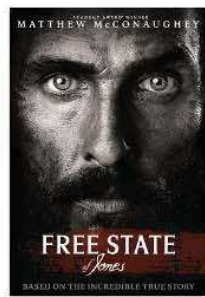
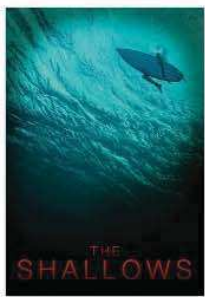
New Releases

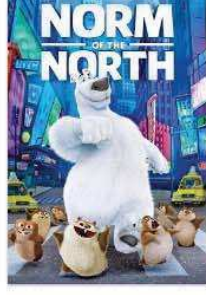
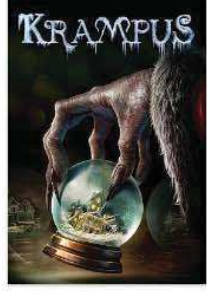
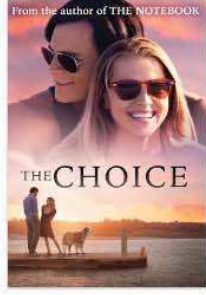
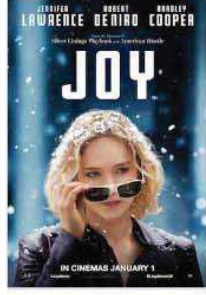
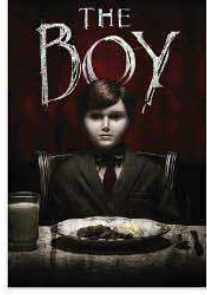
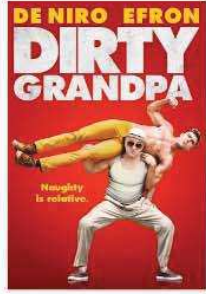
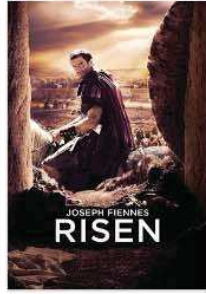
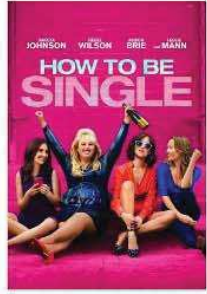
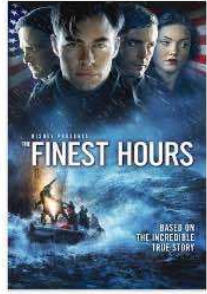
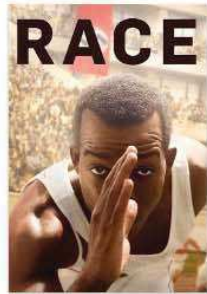


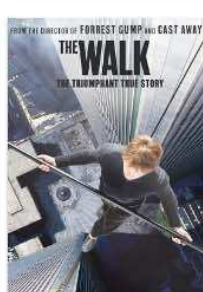
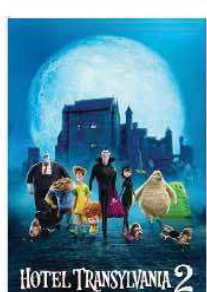
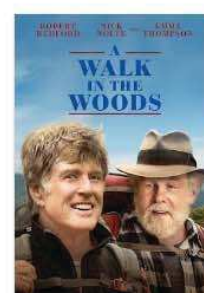
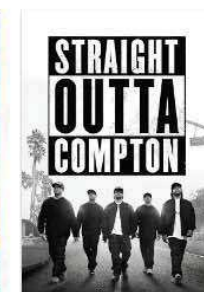
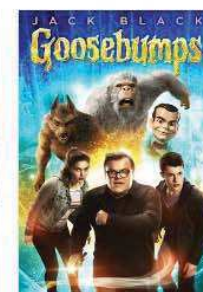
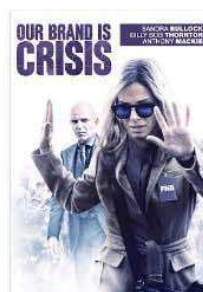
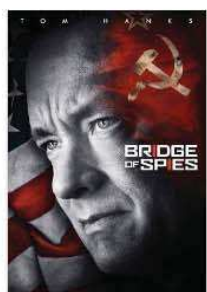
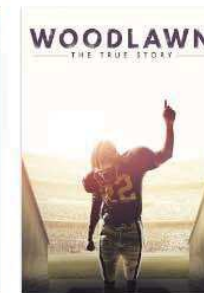
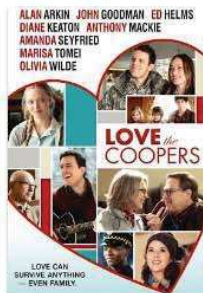
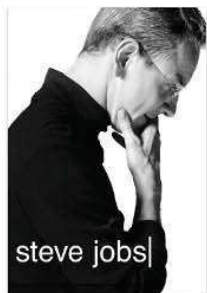
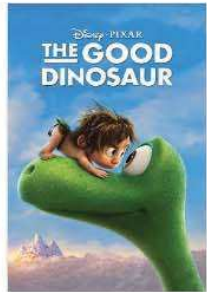
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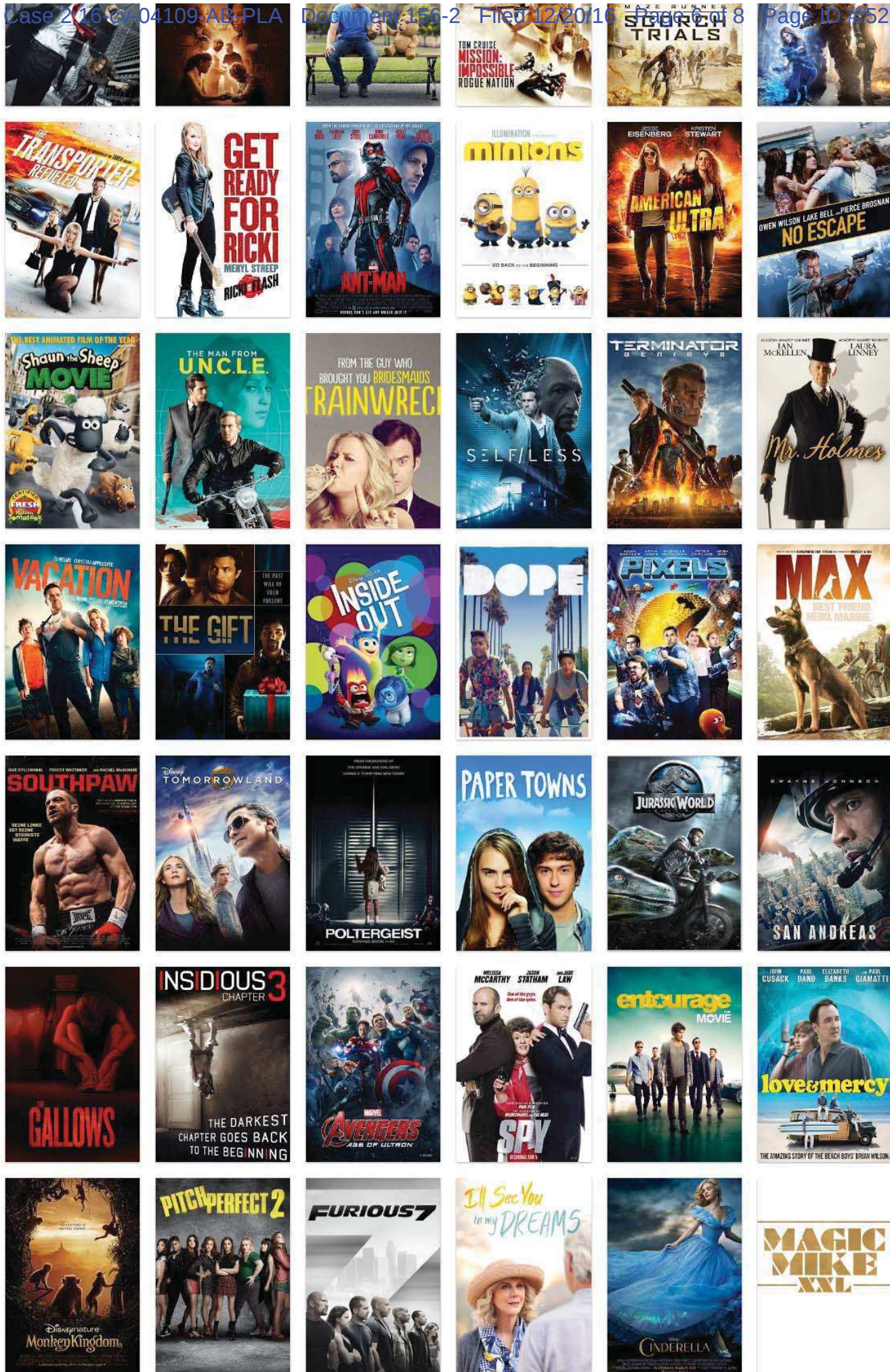
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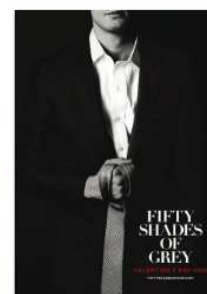
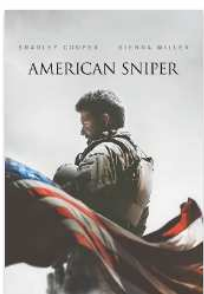
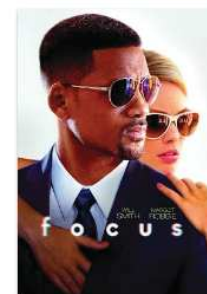
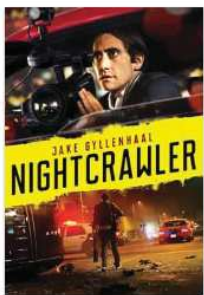
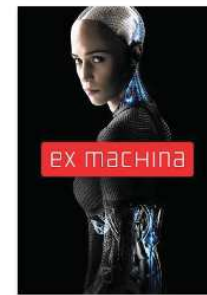
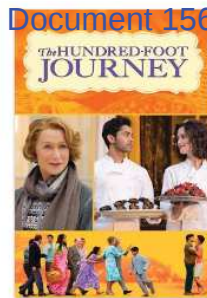


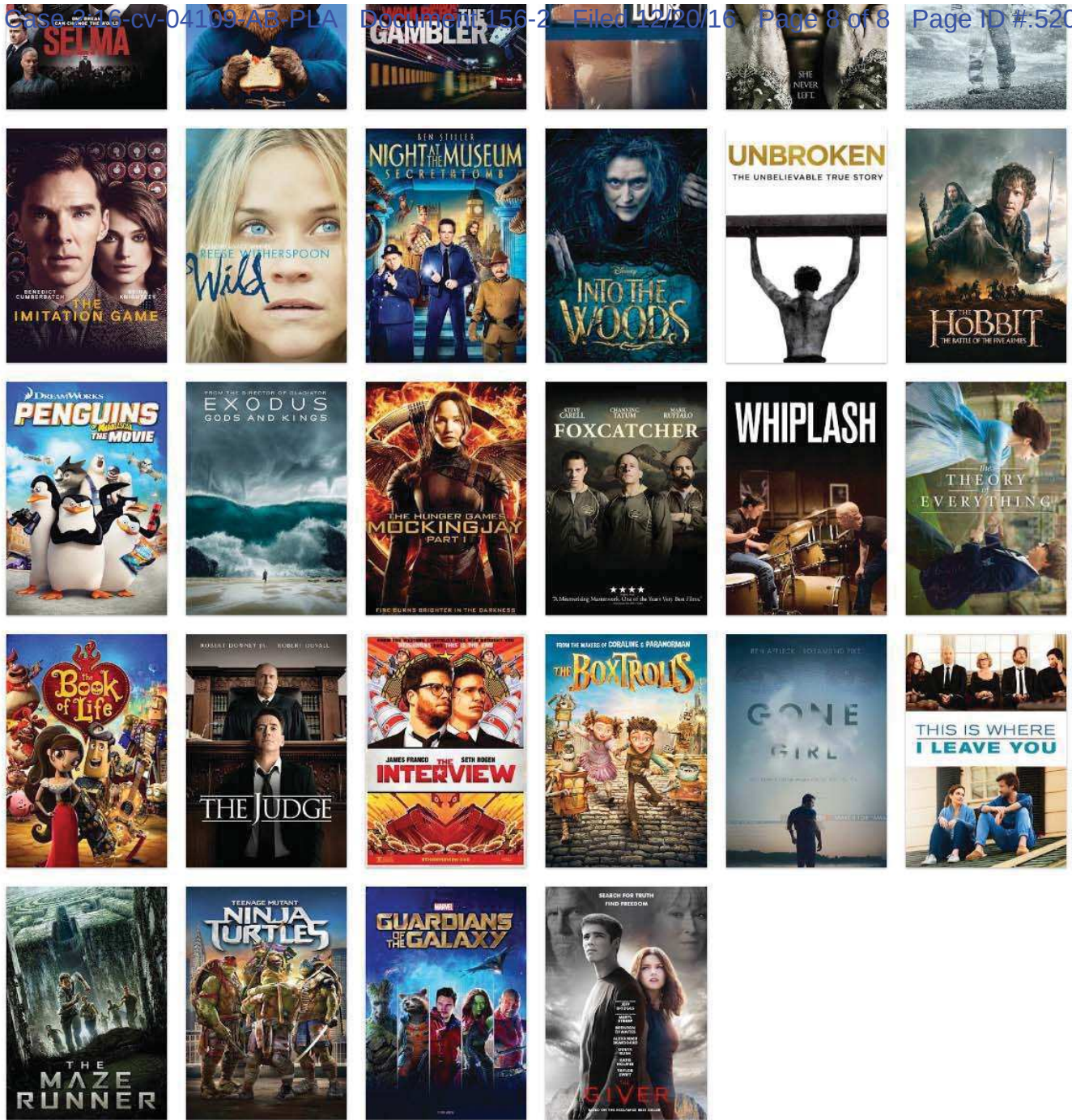












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ABOUT BLOG MISSION TEAM PRESS LAWSUIT TERMS OF SERVICE PRIVACY CONTACT AFFILIATES

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Click here for help

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 7 Facsimile: (213) 687-3702

8 Attorneys for Plaintiffs

9

10 UNITED STATES DISTRICT COURT
 11 CENTRAL DISTRICT OF CALIFORNIA
 12 WESTERN DIVISION

13

14 DISNEY ENTERPRISES, INC.;
 LUCASFILM LTD. LLC;
 15 TWENTIETH CENTURY FOX FILM
 CORPORATION and WARNER
 16 BROS. ENTERTAINMENT INC.,

17 Plaintiffs and Counter-
 Defendants,

18 vs.

19 VIDANGEL, INC.,

20 Defendant and Counter-
 21 Claimant.

22

23

24

25

26

27

28

Case No. 16-cv-04109-AB (PLAx)

**DECLARATION OF ROSE LEDA
 EHLER IN SUPPORT OF
 PLAINTIFFS' OPPOSITION TO
 VIDANGEL'S EX PARTE
 APPLICATION TO STAY
 PRELIMINARY INJUNCTION
 PENDING APPEAL**

Judge: Hon. André Birotte Jr.

Trial Date: None Set

1 I, Rose Leda Ehler, hereby declare:

2 1. I am an attorney with Munger, Tolles & Olson LLP, counsel for
3 Plaintiffs in this matter. I am a member of the California Bar and am admitted to
4 practice before this Court. I have knowledge of the matters set forth below based on
5 my direct involvement in this matter. If called as a witness, I could and would
6 testify competently to the facts stated herein.

7 2. On the evening of December 12, 2016, at or around 8:00 pm PST, I
8 visited the “blog” site that VidAngel maintains with public statements by VidAngel
9 regarding this lawsuit, <http://blog.vidangel.com/category/legal/>. While on that site, I
10 read a posting from that same evening by VidAngel’s CEO, Neal Harmon, regarding
11 an “update on preliminary injunction.” In that post, Mr. Harmon stated that this
12 Court had granted Plaintiffs’ motion for preliminary injunction, and that as a result
13 VidAngel would be removing from its site the content of Plaintiffs and what Mr.
14 Harmon described as “other studios” pending VidAngel’s appeal. Mr. Harmon also
15 stated that during the time this content was down, VidAngel would be working on a
16 redesigned service, and that VidAngel had secured a content license. When I
17 revisited the website on the morning of December 13, 2016, the post that I read on
18 the evening of December 12 had been deleted and replaced.

19 3. The replacement post, which was still on VidAngel’s lawsuit “blog” as
20 of 11 a.m. today, is attached as Exhibit A. This is a true and correct copy of the
21 current post at <http://blog.vidangel.com/category/legal/>. The replacement post
22 states, among other things: “We are seeking a stay of this injunction, but if our
23 efforts fail, we will need to take down the movies of all major studios.” The
24 replacement post further states: “In the meantime, we will be finding and creating
25 family-friendly shows and movies so you can still watch quality content on
26 VidAngel. This will be a gradual process, so please be patient with us.”

27
28

1 4. Attached as Exhibit **B** is a true and correct copy of VidAngel’s
2 Facebook advertisement offering *Pete’s Dragon*, a movie released by Disney in
3 2016.

4 5. Attached as Exhibit **C** is a true and correct copy of VidAngel’s
5 Facebook advertisement offering *The BFG*, a movie released by Disney in 2016.

6 6. Attached as Exhibit **D** is a true and correct copy of VidAngel’s blog
7 post entitled “Movies Coming in December,” posted at
8 <http://blog.vidangel.com/2016/11/18/movies-coming-in-december/> (last visited Dec.
9 15, 2016). This post shows thumbnail images of the movie posters and lists the
10 movies VidAngel intends to newly offer to users in December. The post also states:
11 “We’ll add more than three times this many movies in December, but these are the
12 ones we are *definitely* adding!”

13 7. Attached as Exhibits **E** is a true and correct copy of VidAngel’s
14 Facebook promotion of its “VidAngel Gift Cards with FREE Roku!” In this
15 promotion, VidAngel offers users who purchase a \$30 VidAngel gift card a free
16 Roku device.

17 8. Attached as Exhibit **F** is a true and correct copy of a printout of
18 VidAngel’s website www.vidangel.com/browse (last visited Dec. 15, 2016), which
19 displays titles (including movie posters) of movies and TV shows that VidAngel
20 offers to stream to its users. The “browse” page groups these titles into various
21 categories that appear on the face of Exhibit F.

22 9. Attached as Exhibit **G** is a true and correct copy of VidAngel’s press
23 release dated December 14, 2016 at 8:07 ET posted on PR Newswire. The press
24 release states that “VidAngel will continue to be America’s home for family-
25 friendly content.” It also announces the “launch of VidAngel Studios – something
26 we have been working on for years. Beginning in 2017, we’ll offer original family-
27 friendly content, with technical innovations that will provide a unique experience.”
28

1 10. Attached as Exhibit H is a true and correct copy of a screenshot from
2 VidAngel’s video titled “VidAngel Special Announcement” available on YouTube
3 at <https://www.youtube.com/watch?v=9bFBchSChaY> (last visited Dec. 15, 2016).¹
4 This video contains a statement by Mr. Harmon regarding the court’s issuance of the
5 preliminary injunction, as well as his announcement of VidAngel Studios.

6 11. Attached as Exhibit I is a true and correct copy of a VidAngel user’s
7 comment on the post at <http://blog.vidangel.com/category/legal/> asking: “Wait a
8 minute, I just got a promo email about referring friends to VidAngel (like at 2:00 pm
9 on 12/13). Why are we signing up new customers when there will be no movies to
10 view?”.

11 12. Attached as Exhibit J is a true and correct copy of a news article,
12 available at [http://fox13now.com/2016/12/13/utah-based-movie-filtering-service-
13 vidangel-to-fight-injunction/](http://fox13now.com/2016/12/13/utah-based-movie-filtering-service-vidangel-to-fight-injunction/) (last visited Dec. 15, 2016) reporting that VidAngel
14 would use \$5 million of the \$10 million it raised in its mini-IPO to litigate this case.

15
16 I declare under penalty of perjury under the laws of the United States that the
17 foregoing is true and correct.

18
19 Executed this 15th day of December, 2016 in San Francisco, California.

20
21 
22 _____
23 Rose Leda Ehler

24
25
26 _____
27 ¹ Plaintiffs have included a slipsheet with a true and correct copy of a screenshot of
28 the video. If the Court would prefer, Plaintiffs will submit DVDs containing copies
of these videos for the Court’s review.

EXHIBIT G



VidAngel Charts Path Forward, CEO Announces Innovative VidAngel Studios

Filtering company to continue legal fight with Hollywood by appealing preliminary injunction while rolling out its own original, family-friendly content for rabidly supportive fan base



NEWS PROVIDED BY

VidAngel, Inc. →

Dec 14, 2016, 08:07 ET

PROVO, Utah, Dec. 14, 2016 /PRNewswire/ -- VidAngel, the market-leading entertainment platform empowering users to filter language, nudity, violence, and other content from movies and TV shows, is engaged in a high-profile legal battle with Disney, Warner Bros, 20th Century Fox, and Lucasfilm. These Hollywood studios have taken legal action in an effort to gut the 2005 Family Movie Act and prevent VidAngel from lawfully empowering parents and families to filter content on modern devices in their homes.

Yesterday, Judge Andre Birotte, Jr. granted Disney's request for a Preliminary Injunction against VidAngel in the Central District of California. Today, one day after that decision, VidAngel hosted a launch party in Provo, Utah where CEO Neal Harmon outlined an exciting path forward for the company in front of hundreds of fans, investors, employees, and the media.

"The legal battle for filtering is far from over," said Neal Harmon, CEO of VidAngel.

"We are seeking a stay of the injunction, and are appealing the judge's decision. But as we fight through the legal process, VidAngel will continue to be America's home for family-friendly content.

"That's why today we're announcing the launch of VidAngel Studios -- something we have been working on for years. Beginning in 2017, we'll offer original family-friendly content, with technical innovations that will provide a unique experience."

To watch the video go

to <https://www.facebook.com/VidAngel/videos/667506653433869/>.

In the video, Harmon details:

- VidAngel's path forward in a long legal battle to come, most immediately by filing a motion for a stay on the preliminary injunction.
- The launch of VidAngel Studios, an innovation offering original, family-friendly films created to be filtered on the platform.

About VidAngel

VidAngel is the market-leading entertainment platform empowering users to filter language, nudity, violence, and other content from movies and TV shows. VidAngel's success has been well documented, earning a #1 BestCompany.com user rating and making VidAngel one of the fastest growing entertainment companies in the U.S.

Contact: Press@vidangel.com

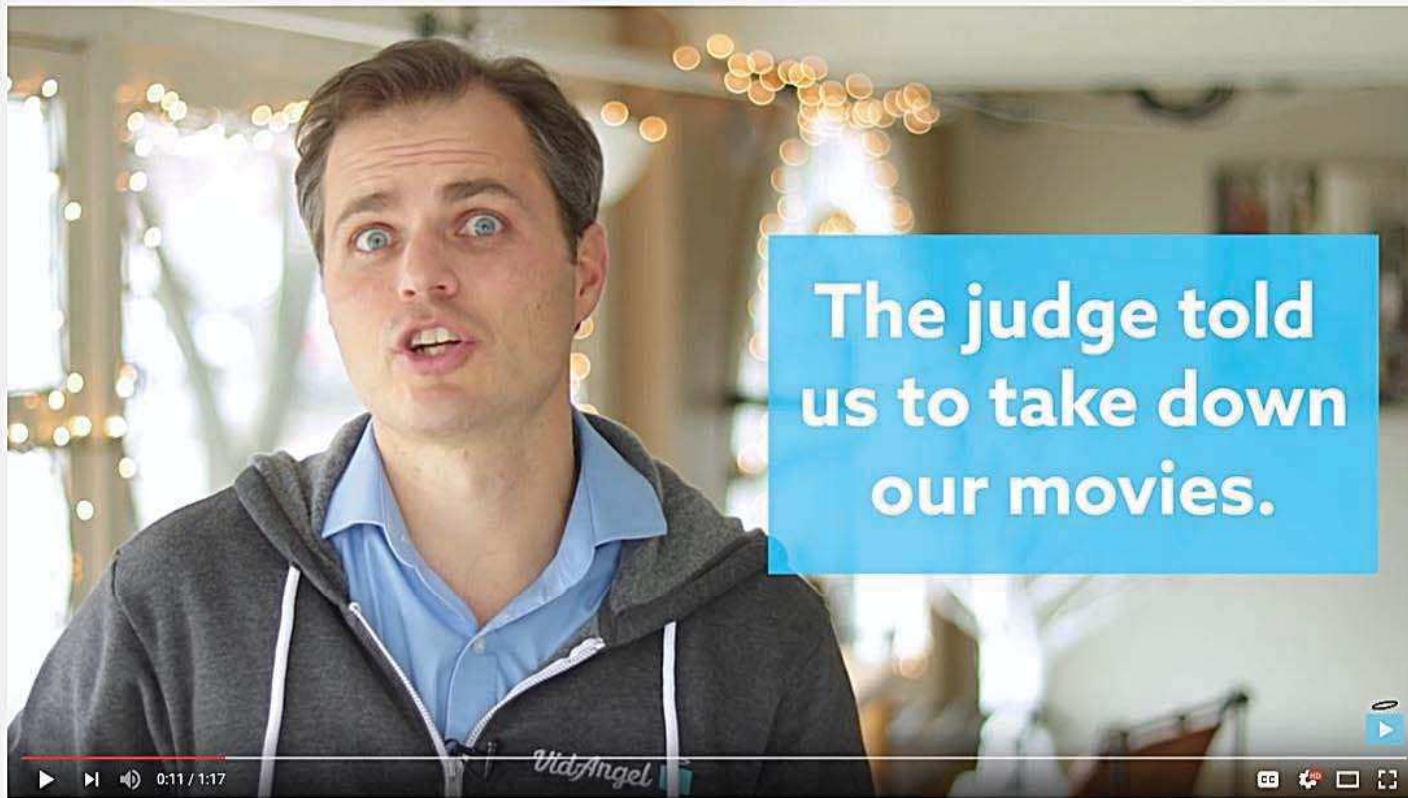
SOURCE VidAngel, Inc.



EXHIBIT H



Search



VidAngel Special Announcement

VidAngel Subscribe 3,773

2,066 views

+ Add to Share More

137 1

Published on Dec 13, 2016

VidAngel will continue the legal fight for filtering, while also launching original family-friendly content.

SHOW MORE

Up next Autoplay

- Is VidAngel Legal?**
VidAngel
22,641 views
5:49
- Satan Changed How I Watch Movies #VidAngel**
VidAngel
657,819 views
3:00
- VidAngel : Filter What you Watch**
CBN News
2,211 views
2:09
- VidAngel - An Honest Review**
Contad Comments
26,990 views
13:58
- \$1 MOVIES | Is VidAngel Streaming Worth It?**
The AIZ Show
3,650 views
6:17
- VidAngel's Fate in Limbo as Hearing Concludes with No Decision**
CBN News
1,226 views
3:03
- VidAngel is the "Mormon Netflix" that hates Jar Jar Binks**
Quartz
8,790 views
3:46
- Behind The Scenes - Epic Swearing Paintball Video - VidAngel.com**
VidAngel
56,651 views
7:40
- Why Game of Thrones Is the Dirtiest Show on TV?**
VidAngel
458,714 views

EXHIBIT I

Update on Preliminary Injunction

December 12, 2016 Legal Battle Neal Harmon

Dear VidAngel customers,

First, the bad news. The judge has issued a preliminary injunction against VidAngel, requiring that we pull down all the studios' content. We are seeking a stay of this injunction, but if our efforts fail, we will need to take down the movies of all major studios.

Now the good news. This is the first battle in a long war. We will launch an immediate appeal. And unlike previous filtering companies, we have the funds to fight this all the way to the Supreme Court. We're committed to protecting your right to watch filtered movies in your home.

In the meantime, we will be finding and creating family-friendly shows and movies so you can still watch quality content on VidAngel. This will be a gradual process, so please be patient with us. We will keep you posted as this develops.

Hang in there,
Neal Harmon, CEO of VidAngel

#ThisIsNotOver #SaveFiltering

← Is VidAngel Legal?



Tim

December 13, 2016 at 1:41 pm

Wait a minute, I just got a promo email about referring friends to VidAngel (like at 2:00 pm on 12/13). Why are we signing up new customers when there will be no movies to view? This is confusing.

Reply



★ Neal Harmon

December 13, 2016 at 1:42 pm

That email was auto-sent by mistake. Our apologies.

Reply

EXHIBIT A

Filed Pursuant to Rule 253(g)(2)
File No. 024-10596



Offering Circular
October 19, 2016

VIDANGEL, INC.
249 N. University Ave.
Provo, Utah 84601
(760) 933-8437

\$5,000,000 Minimum Offering Amount (1,666,667 Shares of Class B Nonvoting Common Stock)
\$11,250,000 Maximum Offering Amount (3,750,000 Shares of Class B Nonvoting Common Stock)

VIDANGEL, INC., a Delaware corporation, referred to herein as VidAngel or the Company, is offering a minimum of \$5,000,000 and a maximum of \$11,250,000 of its Class B nonvoting common stock, or our Class B Common Stock. The offering will consist of a minimum of 1,666,667 and a maximum of 3,750,000 shares of our Class B Common Stock at an offering price of \$3.00 per share, or the Offered Shares. Unless terminated earlier by the Company in its sole discretion, this offering will terminate on the earliest to occur of (i) the date on which we sell the maximum number of Offered Shares, or the Maximum Offering, (ii) the date on which the ruling is issued by the court on a motion for a preliminary injunction in connection with litigation we are engaged in with Disney Enterprises, Inc., et al., or the Disney Litigation, or (iii) December 31, 2016. See "**DESCRIPTION OF THE BUSINESS – Legal Proceedings.**" We refer to any of these three dates as the Termination Date. The initial closing date will occur at the Company's sole discretion and may be any date after the Company has received and accepted subscriptions for at least the minimum number of Offered Shares and before the Termination Date. If, on the initial closing date, we have sold less than the maximum Offered Shares, then we will hold one or more additional closings for additional sales, up to the maximum number of Offered Shares, through the Termination Date. Purchases of Shares in excess of \$5,000 must be transmitted by investors directly by either wire transfer or electronic funds transfer via ACH to a non-interest bearing escrow account maintained by Issuer Direct. Purchases of Shares in the amount of \$5,000 or less may be submitted through an investor's VidAngel customer account in accordance with the billing information for such investor at www.vidangel.com, and will not be held in the escrow account maintained by Issuer Direct, but will be held in a separate non-interest bearing account held by VidAngel. Upon achieving the minimum offering amount and the initial closing of this offering, the proceeds for the offering will be distributed to the Company and the Offered Shares will be issued to the investors. If the minimum offering amount is not sold, the proceeds from the offering will be promptly returned to investors without interest. The minimum purchase requirement is fifty (50) Offered Shares (\$150); however, we can waive the minimum purchase requirement on a case to case basis in our sole discretion. We expect to commence the sale of the Offered Shares as of the date on which the Offering Statement of which this Offering Circular is a part is declared qualified by the United States Securities and Exchange Commission.

The date of this Offering Circular is October 19, 2016

	Price to Public	Expense Reimbursements ¹	Proceeds to Company ²	Proceeds to Other Persons
Per Offered Share:	\$ 3.00	\$ 0.00	\$ 3.00	\$ 0
Minimum Offering Amount:	\$ 5,000,000	\$ 0.00	\$ 5,000,000	\$ 0
Maximum Offering Amount:	\$ 11,250,000	\$ 0.00	\$ 11,250,000	\$ 0

¹ We do not intend to use commissioned sales agents or underwriters. Please refer to the section entitled “**PLAN OF DISTRIBUTION**” of this Offering Circular for additional information regarding distribution of the Offered Shares

² Does not include estimated offering expenses including, without limitation, legal, accounting, printing, advertising, travel, marketing, blue-sky compliance and other expenses of this offering, as well as transfer agent fees and fees payable to Issuer Direct. Offering expenses are estimated at \$280,000 if the Minimum Offering Amount is raised and \$430,000 if the Maximum Offering Amount is raised. See “**PLAN OF DISTRIBUTION**”.

Generally, no sale may be made to you in this offering if the aggregate purchase price you pay is more than 10% of the greater of your annual income or net worth. Different rules apply to accredited investors and non-natural persons. Before making any representation that your investment does not exceed applicable thresholds, we encourage you to review Rule 251(d)(2)(i)(C) of Regulation A. For general information on investing, we encourage you to refer to www.investor.gov.

An investment in the Offered Shares is subject to certain risks and should be made only by persons or entities able to bear the risk of and to withstand the total loss of their investment. Prospective investors should carefully consider and review the RISK FACTORS, beginning on PAGE 6.

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, OR THE COMMISSION, DOES NOT PASS UPON THE MERITS OR GIVE ITS APPROVAL TO ANY SECURITIES OFFERED OR THE TERMS OF THE OFFERING, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF ANY OFFERING CIRCULAR OR OTHER SELLING LITERATURE. THESE SECURITIES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE COMMISSION; HOWEVER, THE COMMISSION HAS NOT MADE AN INDEPENDENT DETERMINATION THAT THE SECURITIES OFFERED ARE EXEMPT FROM REGISTRATION.

This Offering Circular is following the offering circular format described in Part II of Form 1-A.

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SUMMARY

*This summary of the Offering Circular highlights material information contained elsewhere in this Offering Circular. Because it is a summary, it may not contain all of the information that is important to your decision of whether to invest in the Offered Shares. To understand this offering fully, you should read the entire Offering Circular carefully, including the **Risk Factors** section. The use of the words “we,” “us,” “the Company,” “VidAngel,” or “our” refers to VidAngel, Inc., except where the context otherwise requires. The term “Bylaws” refers to the bylaws of VidAngel, Inc. The term “Certificate” refers to VidAngel, Inc.’s certificate of incorporation, as amended. The “Stockholders Agreement” refers to the Stockholders Agreement of VidAngel, Inc. The term “Governing Documents” refers to the Certificate, Bylaws and Stockholders Agreement.*

VidAngel, Inc. is the leading entertainment filtering company, giving families the choice to remove objectionable content from movies they watch in their homes. By letting viewers customize content and watch “however the BLEEP they want”, VidAngel believes it offers the greatest degree of personal choice in the entertainment marketplace.

The Company

In 2013, four brothers, Neal, Daniel, Jeffrey, and Jordan Harmon, founded VidAngel, a filtering company that gives viewers the choice to remove objectionable content, such as violence, sex, nudity and/or language, from authorized copies of movies and television programs. The Harmon brothers, as fathers of children aged newborn to ten, were searching for a better way to watch quality content with their kids. They founded VidAngel to give their families, and all other families, greater personal choice in the movies and television programs they watch at home. VidAngel’s purpose is not only to allow families to watch “however the BLEEP they want,” but to protect an individual’s legal right to customize the content they watch at home. Today, management believes that VidAngel is the leading filtering company, with applications, or Apps, available on all major platforms, and that the potential demand for VidAngel’s service is significant.

The Company was formed as a Utah limited liability company on October 22, 2013, pursuant to a Certificate of Formation filed with the State of Utah’s Department of Commerce and that certain Operating Agreement of the Company, dated December 13, 2013, by and among the Company and its members. Subsequently, the Company was converted into VidAngel, Inc., a Delaware corporation, on February 12, 2014, pursuant to Articles of Conversion filed with the State of Utah’s Department of Commerce.

The Company has authorized capital stock consisting of 25,000,000 shares of common stock, par value \$0.001 per share, or common stock, of which 21,250,000 shares have been designated as Class A voting common stock, or the Class A Common Stock, and 3,750,000 have been designated as Class B Common Stock.

Investors in this offering will acquire our Class B Common Stock and become holders of our Class B Common Stock, or our Class B Common Stockholders, with respect to their ownership of Offered Shares. Upon investors’ receipt of Offered Shares purchased in this Offering, they will become bound by our Bylaws, Certificate and Stockholders Agreement. Our Bylaws, Certificate and Stockholders Agreement govern the various rights and obligations of our stockholders, including the Class B Common Stockholders.

On June 9, 2016, Disney Enterprises, Inc., Twentieth Century Fox Film Corporation, and Warner Bros. Entertainment, Inc. (three of the six major studios), joined by LucasFilm Ltd., LLC, or, collectively, the Plaintiffs, filed a federal lawsuit against VidAngel, or the Disney Litigation, alleging two claims: (a) copyright infringement, and (b) violation of the Digital Millennium Copyright Act (or the DMCA, codified at 17 U.S.C. Sections 1201-04). The Plaintiffs are seeking monetary damages, costs, and attorneys’ fees from VidAngel, as well as preliminary and permanent injunctions prohibiting VidAngel from continuing to engage in the alleged violations. VidAngel contends that its business is expressly allowed by the Family Movie Act of 2005 (or the FMA, largely codified at 17 U.S.C. Section 110(11)) and by the doctrine of “fair use.” VidAngel has alleged counterclaims asserting that the Plaintiffs are engaged in anti-competitive behavior. The Disney Litigation is currently at a very early stage. VidAngel plans to use a substantial portion of the proceeds of this offering to defend the Disney Litigation, including by prosecuting its counterclaims, through appeal. If VidAngel loses the Disney Litigation, the loss will have a material adverse effect on VidAngel’s financial condition and on its ability to continue business operations. See **"RISK FACTORS-We are engaged in current litigation, the outcome of which, if not favorable to VidAngel, would have a material adverse effect on us and our ability to continue our business operations" on page 7 and "DESCRIPTION OF OUR BUSINESS-Legal Proceedings-Disney Litigation" on page 28.**

Taxation

We are taxed as a subchapter C Corporation, and, as such, we are required to pay federal income tax at the corporate tax rates on our taxable income.

Securities Offered

We are offering a minimum of 1,666,667 and a maximum of 3,750,000 shares of our Class B Common Stock in this offering with a minimum purchase requirement of fifty (50) Offered Shares; however we can waive the minimum purchase requirement in our sole discretion. If we sell at least the minimum number of Offered Shares, or the Minimum Offering, on or before the Termination Date, then we will close on the Minimum Offering, or the Initial Closing, and this offering will continue until terminated on the earlier of (i) a ruling on the Disney Litigation; (ii) the date on which we sell the maximum number of Offered Shares, or the Maximum Offering, or (iii) December 31, 2016. See **“DESCRIPTION OF THE BUSINESS – Legal Proceedings.”** The Initial Closing will occur at the Company’s discretion on any date after the Company sells at least the Minimum Offering and before the Termination Date. If on the Initial Closing date we have sold less than the Maximum Offering, we will hold one or more additional closings, or Additional Closings, in our sole discretion for additional sales, up to the Maximum Offering, until the Termination Date. Purchases of Shares in excess of \$5,000 must be transmitted by investors directly by either wire transfer or electronic funds transfer via ACH to a non-interest bearing escrow account maintained by Issuer Direct. Purchases of Shares in the amount of \$5,000 or less may be submitted through an investor's VidAngel customer account in accordance with the billing information for such investor at www.vidangel.com, and will not be held in the escrow account maintained by Issuer Direct, but will be held in a separate non-interest bearing account held by VidAngel. Upon the Initial Closing, the proceeds collected for such closing will be disbursed to the Company and the Offered Shares for such closing will be issued to investors. If a closing does not occur for any reason, the proceeds for such closing will be promptly returned to investors, without interest and without deduction.

Investors in the Offered Shares will become our Class B Common Stockholders. Our Class B Common Stock is common nonvoting equity and contains no preferences as to other classes of our capital stock.

Class B Common Stockholders are not entitled to vote their Class B Common Stock, including in the election of directors. See **“SECURITIES BEING OFFERED – Description of Certificate and Bylaws.”**

Our ability to pay dividends depends on both our achievement of positive cash flow and our Board’s discretion in declaring dividends. For our most recent fiscal year ended December 31, 2015, we realized a net loss of \$1,382,016. The Company has never declared or paid cash dividends on its capital stock. The Company currently intends to retain any future earnings to finance the growth and development of its business and therefore does not anticipate paying any cash dividends for the foreseeable future. The order and priority of our dividends is further described in **“SECURITIES BEING OFFERED – Dividends.”**

Management

*The Company is governed by our certificate of incorporation, as amended, or our Certificate, and our bylaws, or our Bylaws. The following summary describes material provisions of our Certificate and our Bylaws as those documents pertain to the management of the Company, but it is not a complete description of our Certificate, our Bylaws or any combination of the two. A copy of our Certificate and our Bylaws are filed as exhibits to the Offering Statement of which this Offering Circular is a part. See **“SECURITIES BEING OFFERED – Description of Certificate of Formation and Bylaws.”***

Board of Directors

Subject to our stockholders’ rights to consent to certain transactions as provided under the Delaware General Corporate Law, or DGCL, the business and affairs of the Company are controlled by, and all powers are exercised by, our board of directors, or our Board. Our Board is required to consist of not fewer than three (3) nor more than five (5) directors, the exact number to be set from time to time by the Board. Our Board is comprised of Paul Ahlstrom, Neal Harmon and Dalton Wright. Our Board is elected each year at the annual meeting of Class A Common Stockholders, to hold office until the next annual meeting and until their successors are elected and qualified. Any newly created directorships resulting from an increase in the authorized number of directors and any vacancies occurring in our Board may be filled by the affirmative vote of the remaining directors. A director may resign at any time, and the Class A Common Stockholders may remove a director at any time, with or without cause, by the affirmative vote of a majority of stockholders voting in such decision. As Class B Stockholders, investors in this offering will have no rights to vote in the election or removal of members of our Board.

The DGCL provides that stockholders of a Delaware corporation are not entitled to the right to cumulate votes in the election of directors unless its certificate of incorporation provides otherwise. Our Certificate does not provide for cumulative voting.

Our Board may designate one or more committees. Such committees must consist of one or more directors. Any such committee, to the extent permitted by applicable law, will have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Company.

Officers

The Board has the authority to select the officers of the Company. Under our Bylaws, the officers are required to consist of a Chairman of the Board, a Chief Executive Officer, or CEO, a Secretary and a Treasurer. In addition, the Board may elect one or more Vice Chairmen, President, Chief Financial Officer and Vice Presidents, and such other offices as the Board may determine. Two or more of the aforementioned offices may be held by the same person. Our officers are: (i) Neal Harmon, CEO; (ii) Jeffrey Harmon, Chief Marketing Officer; (iii) Elizabeth Ellis, Chief Operating Officer, or COO; (iv) Patrick Reilly, Director of Finance and Secretary; and (v) David Quinto, General Counsel.

At the first meeting of the Board following the annual meeting of stockholders, the Board appoints the officers, however the Board may also empower the CEO to appoint subordinate officers and agents for us. Each officer so elected holds office until such officer's successor is elected and qualified or until the officer's earlier resignation or removal. Each officer is required to perform such duties as are provided in the Bylaws or as the Board may from time to time determine. Subject to the rights, if any, of an officer under any employment agreement, any officer may be removed, with or without cause, by the affirmative vote of a majority of the Board. An officer may resign at any time by giving notice to the Board. Our CEO is in charge of the general affairs of the Company, subject to the oversight of the Board. In case any officer is absent, or for any other reason the Board may deem sufficient, the CEO or the Board may delegate the powers and duties of such officer to any other officer or to any director.

Transfer Restrictions

The Company's Class B Common Stock is subject to the terms and conditions of our Stockholders Agreement. The following summary describes material provisions of our Stockholders Agreement as this document pertains to our Class B Common Stock, but it is not a complete description of our Stockholders Agreement. A copy of the form of our Stockholders Agreement is filed as an exhibit to the Offering Statement of which this Offering Circular is a part. See "SECURITIES BEING OFFERED – Description of Stockholders Agreement."

Investors in our Class B Common Stock will be subject to the restrictions on transfer set forth in our Stockholders Agreement. Under the terms of our Stockholders Agreement, transfer of shares of our Class B Common Stock will be subject to a right of first refusal exercisable first by the Company, second, by our Class A Common Stockholders, and, third, by our remaining Class B Common Stockholders party to the Stockholders Agreement. Prior to any transfer or proposed transfer of shares, the transferring shareholder, or the Seller, is required to give written notice to us and to the remaining stockholders of such proposed transfer. The certificates for our Class B Common Stock will be legended to reflect these restrictions.

Summary Risk Factors

An investment in our Offered Shares involves a number of risks. See "RISK FACTORS," of this Offering Circular. Some of the more significant risks include those set forth below.

- An investment in our Offered Shares is a speculative investment, and therefore, no assurance can be given that you will realize your investment objectives.
- We intend to retain all our earnings for the future operation and expansion of our business and do not anticipate making any cash distributions at any time in the foreseeable future.
- Over our past two fiscal years, we have experienced aggregate net losses.
- We have limited operating history upon which to base an investment decision.
- We are new and face all the risks of an early-stage company.
- We are engaged in current litigation, the outcome of which, if not favorable to VidAngel, would have a material adverse effect on us and our ability to continue business operations.
- If our efforts to attract and retain customers are not successful, our business will be adversely affected.
- Changes in competitive offerings for entertainment video, including the potential rapid adoption of piracy-based video offerings, could adversely impact our business.

- The long-term and fixed cost nature of our content commitments may limit our operating flexibility and could adversely affect our liquidity and results of operations.
- If we are not able to manage change and growth, our business could be adversely affected.
- If we fail to maintain or, in new markets establish, a positive reputation with customers concerning our service, including the content we offer and the ease of use and accuracy of our content filters, we may not be able to attract or retain customers, and our operating results may be adversely affected.
- We face risks, such as unforeseen costs and potential liability in connection with content we acquire, filter and/or distribute through our service.
- Any significant disruption in or unauthorized access to our computer systems or those of third parties that we utilize in our operations, including those relating to cybersecurity or arising from cyber-attacks, could result in a loss or degradation of service, unauthorized disclosure of data, including customer and corporate information, or theft of intellectual property, including digital content assets, which could adversely impact our business.
- If the technology we use in operating our business fails, becomes unavailable, or does not operate to expectations, our business and operating results could be adversely impacted.
- Changes in how network operators handle and charge for access to data that travel across their networks could adversely impact our business.
- Our reputation and relationships with customers would be harmed if our customer data, particularly billing data, were accessed by unauthorized persons.
- If our trademarks and other proprietary rights are not adequately protected to prevent use or appropriation by our competitors, the value of our brand and other intangible assets may be diminished, and our business may be adversely affected.
- Intellectual property claims against us could be costly and result in the loss of significant rights related to, among other things, our web site, filtering technology, our recommendation and merchandising technology, title selection processes and marketing activities.
- We are engaged in legal proceedings that could cause us to incur unforeseen expenses and could occupy a significant amount of our management's time and attention.
- We are dependent on our management to achieve our objectives, and our loss of, or inability to obtain, key personnel could delay or hinder implementation of our business and growth strategies, which could adversely affect the value of your investment and our ability to pay dividends.
- This is a fixed price offering and the fixed offering price may not accurately represent the current value of us or our assets at any particular time. Therefore, the purchase price you pay for the Offered Shares may not be supported by the value of our assets at the time of your purchase.
- We may change our operational policies and business and growth strategies without stockholder consent, which may subject us to different and more significant risks in the future.

Interest of Management and Related Parties

We have entered into a Promotion and Services Agreement for marketing services with Harmon Brothers LLC, or HB, a company in which our co-founders and executive officers, Neal Harmon and Jeffrey Harmon, own substantially all the equity. We have entered into an Investors Rights and Voting Agreement with certain of our significant investors, creating certain board rights. We have also recently entered into an employment agreement with our General Counsel.

Reporting Requirements under Tier II of Regulation A

Following this Tier II, Regulation A offering, we will be required to comply with certain ongoing disclosure requirements under Rule 257 of Regulation A. We will be required to file: an annual report with the SEC on Form 1-K; a semi-annual report with the SEC on Form 1-SA; current reports with the SEC on Form 1-U; and a notice under cover of Form 1-Z. The necessity to file current reports will be triggered by certain corporate events. Parts I & II of Form 1-Z will be filed by us if and when we decide to and are no longer obligated to file and provide annual reports pursuant to the requirements of Regulation A.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Offering Circular contains certain forward-looking statements that are subject to various risks and uncertainties. Forward-looking statements are generally identifiable by use of forward-looking terminology such as “may,” “will,” “should,” “potential,” “intend,” “expect,” “outlook,” “seek,” “anticipate,” “estimate,” “approximately,” “believe,” “could,” “project,” “predict,” or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain financial and operating projections or state other forward-looking information. Our ability to predict results or the actual effect of future events, actions, plans or strategies is inherently uncertain. Although we believe that the expectations reflected in our forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth or anticipated in our forward-looking statements. Factors that could have a material adverse effect on our forward-looking statements and upon our business, results of operations, financial condition, funds derived from operations, cash available for dividends, cash flows, liquidity and prospects include, but are not limited to, the factors referenced in this Offering Circular, including those set forth below.

When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this Offering Circular. Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect our views as of the date of this Offering Circular. The matters summarized below and elsewhere in this Offering Circular could cause our actual results and performance to differ materially from those set forth or anticipated in forward-looking statements. Accordingly, we cannot guarantee future results or performance. Furthermore, except as required by law, we are under no duty to, and we do not intend to, update any of our forward-looking statements after the date of this Offering Circular, whether as a result of new information, future events or otherwise.

RISK FACTORS

An investment in our Offered Shares is highly speculative and is suitable only for persons or entities that are able to evaluate the risks of the investment. An investment in our Offered Shares should be made only by persons or entities able to bear the risk of, and to withstand the total loss of, their investment. Prospective investors should consider the following risks before making a decision to purchase our Offered Shares. To the best of our knowledge, we have included all material risks to investors in this section.

General Risks of an Investment in Us

An investment in our Offered Shares is a speculative investment and, therefore no assurance can be given that you will realize your investment objectives.

No assurance can be given that investors will realize a return on their investments in us or that they will not lose their entire investment in our Offered Shares. For this reason, each prospective investor of our Offered Shares should carefully read this Offering Circular. **ALL SUCH PERSONS OR ENTITIES SHOULD CONSULT WITH THEIR ATTORNEY OR FINANCIAL ADVISOR PRIOR TO MAKING AN INVESTMENT.**

We do not intend to pay dividends for the foreseeable future.

We intend to retain all of our earnings for the future operation and expansion of our business and do not anticipate making any cash distributions at any time in the foreseeable future.

Over our past two fiscal years, we have experienced aggregate net losses.

We recorded net losses of \$777,916 in fiscal 2014 and net losses of \$1,382,016 in fiscal 2015, resulting in an aggregate net loss of \$2,159,932 over our last two fiscal years. If our ability to generate positive net income remains inconsistent in the future, the value of our Class B Common Stock would likely be materially and adversely affected.

Our future indebtedness may limit our ability to declare and pay dividends and may affect our operations.

Although we don't anticipate doing so in the near future, we may seek debt financing eventually to assist with the financing of our future operations. Our ability to make principal and interest payments with respect to any such debt incurred depends on future performance, which performance is subject to many factors, some of which will be outside of our control. In addition, most of such indebtedness will likely be secured by substantially all of our assets and will contain restrictive covenants that limit our ability to distribute cash and to incur additional indebtedness. Payment of principal and interest on such indebtedness, as well as compliance with the requirements and covenants of such indebtedness, could limit our ability to pay dividends to our stockholders, if at all. Such leverage may also adversely affect our ability to finance future operations and capital needs, or to pursue other business opportunities and make results of operations more susceptible to adverse business conditions.

We have limited operating history upon which to base an investment decision.

We are an early-stage company in which you may lose your entire investment. We began operations in 2013. Because we have a limited operating history, we are unable to provide significant data upon which to evaluate fully our prospects and an investment in our securities. Our ability to succeed and generate operating profits and positive operating cash flow will depend on our ability, among other things, to:

- Develop and execute our business model;
- Attract and maintain an adequate customer base;
- Raise additional capital as contemplated in this offering, if necessary in the future;
- Pending and potential lawsuits threatening our ability to provide our services; and
- Attract and retain qualified personnel.

We cannot be certain that our business strategy will be successful in the long-term because this strategy is still relatively new and even if successful, we may face difficulty in managing our growth. As an early-stage company, we will be particularly susceptible to the risks and uncertainties described in these risk factors.

We are new and face all the risks of an early-stage company.

We may encounter challenges and difficulties frequently experienced by early-stage companies; including:

- A lack of operating experience;
- Increasing net losses and negative cash flows;
- Insufficient revenue or cash flow to be self-sustaining;
- An unproven business model;
- Difficulties in managing rapid growth.

We are engaged in current litigation, the outcome of which, if not favorable to VidAngel, would have a material adverse effect on us and our ability to continue our business operations.

We are currently engaged in the Disney Litigation, as well as litigation with ClearPlay, Inc., or the ClearPlay Litigation, and plan to use a substantial amount of the proceeds of this offering in our defense in the Disney Litigation. If the Disney Litigation were to be decided against VidAngel, it would have a material adverse effect on not only our financial condition but our ability to continue business operations. See “DESCRIPTION OF THE BUSINESS – Legal Proceedings” below for a detailed summary of our current litigation.

Risks Related to Our Business

If our efforts to attract and retain customers are not successful, our business will be adversely affected.

We have experienced positive customer growth since launching the latest version of our service in December 2014. Our ability to continue to attract customers will depend, in part, on our ability to consistently provide our customers with compelling content choices, a quality experience for selecting and viewing TV shows and movies, and dynamic filtering solutions set to the customer’s preferences. Furthermore, the relative service levels, content offerings, pricing and related features of competitors to our service may adversely impact our ability to attract and retain customers. Our main direct competition is ClearPlay, Inc., or ClearPlay, which also offers a filtering service. Other entertainment video providers that do not currently offer a filtering service, such as multichannel video programming distributors, Internet-based movie and TV content providers (including those that provide pirated content) and brick-and-mortar DVD rental outlets, including without limitation Netflix, Amazon Prime, Vimeo, Hulu, and Xfinity OnDemand, could become direct competitors in the future. If consumers do not perceive our service as valuable, including if we introduce new or adjust existing features, adjust pricing or service offerings, or change the mix of content in a manner that is not favorably received by them, we may not be able to attract and retain customers. In addition, many of our customers try our service resulting from word-of-mouth advertising from existing customers. If our efforts to satisfy our existing customers are not successful, we may not be able to attract new customers, and, as a result, our ability to maintain and/or grow our business will be adversely affected. Customers may cease to use our service for many reasons, including the need to cut household expenses, unsatisfactory availability of content, competitive services providing a better value or experience, and customer service issues not being satisfactorily resolved. We must continually add new customers both to replace departed customers and to grow our business beyond our current customer base. Given, in particular, that our content costs are largely fixed in nature, we may not be able to adjust our expenditures or increase our (per customer) revenues commensurate with a lowered growth rate such that our margins, liquidity and results of operation may be adversely impacted. If we are unable to compete successfully with current and new competitors in retaining existing customers and attracting new customers, our business will be adversely affected. Further, if excessive numbers of customers cease using our service, we may be required to incur significantly higher marketing expenditures than we currently anticipate to replace these customers with new customers.

Changes in competitive offerings for entertainment video, including the potential rapid adoption of piracy-based video offerings, could adversely impact our business.

The market for entertainment video is intensely competitive and subject to rapid change. Through new and existing distribution channels, consumers have increasing options to access entertainment video. The various economic models underlying these channels include subscription, transactional, ad-supported and piracy-based services. All have the potential to capture meaningful segments of the entertainment video market and could offer filtering services in the future. Piracy, in particular, threatens to damage our business, as its fundamental proposition to consumers is so compelling and difficult to compete against: virtually all content for free and some content available has already been edited for objectionable content. Furthermore, in light of the compelling consumer proposition, piracy services are subject to rapid global growth. Traditional providers of entertainment video, including broadcasters and cable network operators, as well as Internet-based e-commerce entertainment video providers, are increasing their Internet-based video offerings. Several of these competitors have long operating histories, large customer bases, strong brand recognition and significant financial, marketing and other resources. They may secure better terms from suppliers, adopt more aggressive pricing, and devote more resources to product development, technology, infrastructure, content acquisitions and marketing. New competitors may enter the market or existing providers may adjust their services with unique offerings or approaches to providing entertainment video. Companies also may enter into business combinations or alliances that strengthen their competitive positions. If we are unable to successfully or profitably compete with current and new competitors who do or may offer filtering services in the future, our business will be adversely affected, and we may not be able to increase or maintain market share, revenues or profitability.

The long-term and fixed cost nature of our content commitments may limit our operating flexibility and could adversely affect our liquidity and results of operations.

In connection with obtaining video content, we typically purchase significant quantities of physical DVDs or Blu-ray discs in anticipation of customer demand, the payment terms of which are not tied to customer usage or the size of our customer base. Given the multiple-year duration and largely fixed cost nature of purchasing physical DVDs and Blu-ray discs, if customer acquisition and retention does not meet our expectations, our margins may be adversely impacted. To the extent customer base and/or revenue growth do not meet our expectations, our liquidity and results of operations could be adversely affected as a result of large capital expenditures for physical DVDs and Blu-ray discs. In addition, the long-term and fixed cost nature of our purchasing physical DVDs and Blu-ray discs may limit our flexibility in planning for, or reacting to changes in our business and the market segments in which we operate.

We are devoting more resources to the development, marketing and distribution of filtered content, including TV series and movies. We believe that filtered content can help differentiate our service from other offerings, enhance our brand and otherwise attract and retain customers. To the extent our ability to provide customers with custom content filters does not meet the Company's and our customers' expectations, in particular, costs, viewing and popularity, our business, including our brand and results of operations may be adversely impacted.

If we are not able to manage change and growth, our business could be adversely affected.

We are expanding our operations, scaling our filtering service to effectively and reliably handle anticipated growth in both customers and features related to our service, ramping up our ability to provide customers with custom content filters, as well as continuing to operate our service within the U.S. As we scale up our filtering service, we are developing technology and utilizing third-party "cloud" storage services. As we ramp up our offering of content filters, we are building out crowd-sourcing expertise in a number of distinct roles, including video viewers, video taggers, video reviewers and video publishers. If we are not able to manage the growing complexity of our business, including improving, refining or revising our systems and operational practices related to our video operations and filtering content, our business may be adversely affected. See "DESCRIPTION OF THE BUSINESS."

If we fail to maintain or, in new markets establish, a positive reputation with customers concerning our service, including the content we offer and the ease of use and accuracy of our content filters, we may not be able to attract or retain customers, and our operating results may be adversely affected.

We believe that a positive reputation is important to attract and retain customers who have a number of choices for obtaining entertainment video. To the extent our content, particularly our content filters, is perceived as low quality, or our failure to sufficiently filter offensive or otherwise undesired content to customers, our ability to establish and maintain a positive reputation may be adversely impacted. Furthermore, to the extent our marketing, customer service and public relations efforts are not effective or create a negative consumer reaction, our ability to establish and maintain a positive reputation may be adversely impacted. As we expand into new markets, we need to establish our reputation with new customers. To the extent we are unsuccessful in creating positive impressions, our business in new markets may be adversely impacted.

Changes in how we market our service could adversely affect our marketing expenses and our customer base may be adversely affected.

We utilize a broad mix of marketing and public-relations programs, including social media sites such as Facebook, YouTube and Twitter, to promote our service to potential customers. We may limit or discontinue the use or support of certain marketing sources or activities if advertising rates increase or if we become concerned that customers or potential customers deem certain marketing practices intrusive or damaging to our brand. If the available marketing channels are curtailed, our ability to attract new customers may be adversely affected.

If companies that promote our service determine that we negatively impact their businesses, decide to compete more directly with our business, enter a similar business, or choose to exclusively support our competitors, we may no longer have access to certain marketing channels. If we are unable to maintain or replace our sources of customers with similarly effective sources, or if the cost of our existing sources increases, our customer base and marketing expenses may be adversely affected.

We face risks, such as unforeseen costs and potential liability in connection with content we acquire, filter and/or distribute through our service.

As a distributor of content, we face potential liability for negligence, copyright and trademark infringement, or other claims based on the nature and content of the materials that we acquire, filter and/or distribute. We also may face potential liability for content used in promoting our service, including marketing materials and features on our Web site such as customer reviews. As we expand our offering of content filters, we have become responsible for costs of producing content maps and other features. We also take on risks associated with filters, such as producing filters that do not seamlessly stream content but rather produce an unsatisfactory experience to the viewing customer. To the extent we do not accurately anticipate costs or mitigate risks, including for content that we obtain but ultimately do not make available on our service, or if we become liable for content we acquire, filter and/or distribute, our business may suffer. Litigation to defend such claims could be costly and the expenses and damages arising from any liability or unforeseen production risks could harm our operating results. We may not be indemnified or insured against such claims or costs of these types. See **“DESCRIPTION OF OUR BUSINESS – Legal Proceedings.”**

If studios, content providers, content distributors or other rights holders refuse to sell us their content or other rights on terms acceptable to us, our business could be adversely affected.

Our ability to provide our customers with a filtering service depends on studios, content providers, wholesale content distributors and other rights holders upon whom we rely to produce and/or provide us the content we redistribute, filter, and stream to our customers.

If the studios, content providers, wholesale content distributors and other rights holders are not willing or able to sell us physical content on terms acceptable to us, our ability to filter content remotely to our customers would be adversely affected and/or our costs could increase. Many of the methods by which we purchase physical media from the studios, content providers, wholesale content distributors or other rights holders could cease offering new content to our service relatively quickly. The actions of such parties, as well as other actions we may take could impair the availability of new content for streaming through our service on short notice. As competition increases, we may see the cost of programming increase. We focus on programming an overall mix of content that delights our customers in a cost efficient manner. Within that context, we are selective about the titles we purchase for inclusion in our service. If we do not maintain a compelling mix of content for filtering, our customer acquisition and retention may be adversely affected.

We rely upon a number of partners to make our service available on their devices.

We currently offer customers the ability to receive filtered content through a host of Internet-connected screens, including TVs, digital video players, television set-top boxes and mobile devices. We have agreements with various tech companies and distributors to make our service available through the television set-top boxes of such service providers. We intend to continue to broaden our capability to transmit filtered TV shows and movies to other platforms and partners over time. If we are not successful in maintaining existing and creating new relationships, or if we encounter technological, content licensing, regulatory or other impediments to delivering our filtered content to our customers via those devices, our ability to grow our business could be adversely impacted. Furthermore, the devices are manufactured and sold by entities other than us and while these entities should be responsible for the devices' performance, the connection between us and those devices may nonetheless result in customer dissatisfaction toward the Company and such dissatisfaction could result in claims against us or otherwise adversely impact our business. In addition, technology changes to our product functionality and offering of content filters may require that partners update their devices. If partners do not update or otherwise modify their devices, our service and our customers' use and enjoyment could be negatively impacted.

Any significant disruption in or unauthorized access to our computer systems or those of third parties that we utilize in our operations, including those relating to cybersecurity or arising from cyber-attacks, could result in a loss or degradation of service, unauthorized disclosure of data, including customer and corporate information, or theft of intellectual property, including digital content assets, which could adversely impact our business.

Our reputation and ability to attract, retain and serve our customers is dependent upon the reliable performance and security of our computer systems and those of third parties that we utilize in our operations. These systems may be subject to damage or interruption from earthquakes, adverse weather conditions, other natural disasters, terrorist attacks, power loss, telecommunications failures, and cybersecurity breaches. Interruptions in these systems, or with the Internet in general, could leave our service unavailable or degraded, or otherwise hinder our ability to deliver filtered content to our customers. Service interruptions, errors in our software or the unavailability of computer systems used in our operations could diminish the overall attractiveness of our service to existing and potential customers.

Our computer systems and those of third parties we use in our operations are vulnerable to cybersecurity breaches, including cyber-attacks such as computer viruses, denial of service attacks, physical or electronic break-ins and similar disruptions. These systems periodically experience directed attacks intended to lead to interruptions and delays in our service and operations as well as loss, misuse or theft of data. Any attempt by hackers to obtain our data (including customer and corporate information) or intellectual property (including digital content assets), disrupt our service, or otherwise access our systems, or those of third parties we use, if successful, could harm our business, be expensive to remedy and damage our reputation. We have implemented certain systems and processes to thwart hackers and protect our data and systems. To date hackers have not had a material impact on our service or systems however this is no assurance that hackers may not be successful in the future. Our insurance does not cover expenses related to such disruptions or unauthorized access. Efforts to prevent hackers from disrupting our service or otherwise accessing our systems are expensive to implement and may limit the functionality of or otherwise negatively impact our service offering and systems. Any significant disruption to our service or access to our systems could result in a loss of customers and adversely affect our business and results of operation.

We utilize our own communications and computer hardware systems located either in our facilities or in that of a third-party Web hosting provider. In addition, we utilize third-party "cloud" computing services in connection with our business operations. We also utilize our own and third-party content delivery networks to help us deliver TV shows and movies in high volume to our customers over the Internet. Problems faced by us or our third-party Web hosting, "cloud" computing, or other network providers, including technological or business-related disruptions, as well as cybersecurity threats, could adversely impact the experience of our customers.

We rely upon certain third party cloud computing service providers to operate certain aspects of our service and any disruption of or interference with our use of such services from our providers would impact our operations and our business would be adversely impacted.

Several third party cloud computing services providers provide VidAngel with a distributed computing infrastructure platform for business operations, or what is commonly referred to as a "cloud" computing service. We have designed our software and computer systems so as to utilize data processing, storage capabilities and other services provided by such providers. Currently, we run the vast majority of our computing using such third party cloud computing services. Given this, along with the fact that we cannot easily switch our operations to another cloud provider, any disruption of or interference with our use of such services from our providers would impact our operations and our business would be adversely impacted.

If the technology we use in operating our business fails, becomes unavailable, or does not operate to expectations, our business and operating results could be adversely impacted.

We utilize a combination of proprietary and third-party technology to operate our business. This includes technology we have developed or that has been assigned to us, such as our Content Delivery and Filtering Solution, Filter Curation Platform, and our Remote Media Ownership Management. We also use technology to recommend and merchandise content to our consumers as well as to enable fast and efficient delivery of content to our customers and their various consumer electronic devices. For example, we have built and deployed our video on a content delivery network, or CDN. To the extent Internet Service Providers, or ISPs, do not interconnect with our CDN, or if we experience difficulties in its operation, our ability to efficiently and effectively deliver our content and our offering of content filters to our customers could be adversely impacted and our business and results of operation could be adversely affected. Likewise, if our recommendation and merchandising technology does not enable us to predict and recommend titles that our customers will enjoy, our ability to attract and retain customers may be adversely affected. We also utilize third party technology to help market our service, process payments, and otherwise manage the daily operations of our business. If our technology or that of third parties we utilize in our operations fails or otherwise operates improperly, our ability to operate our service, retain existing customers and add new customers may be impaired. Also, any harm to our customers' personal computers or other devices caused by software used in our operations could have an adverse effect on our business, results of operations and financial condition. See "DESCRIPTION OF THE BUSINESS—Our Intellectual Property."

If government regulations relating to the Internet or other areas of our business change, we may need to alter the manner in which we conduct our business, or incur greater operating expenses.

The adoption or modification of laws or regulations relating to the Internet or other areas of our business could limit or otherwise adversely affect the manner in which we currently conduct our business. In addition, the continued growth and development of the market for online commerce may lead to more stringent consumer protection laws, which may impose additional burdens on us. If we are required to comply with new regulations or legislation or new interpretations of existing regulations or legislation, this compliance could cause us to incur additional expenses or alter our business model.

Changes in laws or regulations that adversely affect the growth, popularity or use of the Internet, including laws impacting net neutrality, could decrease the demand for our service and increase our cost of doing business. The failure to adopt laws protecting strong net neutrality could also increase the cost of doing business. On February 16, 2015, the U.S. Federal Communications Commission, or FCC, adopted net neutrality rules intended, in part, to prevent network operators from discriminating against legal traffic that transverse their networks and to prevent Internet Service Provider, or ISP, abuses at interconnection points. The FCC's authority to adopt these rules is currently under review by the U.S. Circuit Court of Appeals for the District of Columbia. To the extent network operators attempt to use this ruling to extract fees from us to deliver our traffic or otherwise engage in discriminatory practices, or if the U.S. Circuit Court of Appeals for the District of Columbia invalidates the rules, our business could be adversely impacted. Within such a regulatory environment, coupled with potentially significant political and economic power of local network operators, we could experience discriminatory or anti-competitive practices that could impede our growth, cause us to incur additional expense or otherwise negatively affect our business.

Changes in how network operators handle and charge for access to data that travel across their networks could adversely impact our business.

We rely upon the ability of consumers to access our service through the Internet. If network operators block, restrict or otherwise impair access to our service over their networks, our service and business could be negatively affected. To the extent that network operators implement usage based pricing, including meaningful bandwidth caps, or otherwise try to monetize access to their networks by data providers, we could incur greater operating expenses and our new customer acquisition and retention could be negatively impacted. Furthermore, to the extent network operators create tiers of Internet access service and either charge us for or prohibit us from being available through these tiers, our business could be negatively impacted.

Most network operators that provide consumers with access to the Internet also provide these consumers with multichannel video programming. As such, many network operators have an incentive to use their network infrastructure in a manner adverse to our continued growth and success. While we believe that consumer demand, regulatory oversight and competition will help check these incentives, to the extent that network operators are able to provide preferential treatment to their data as opposed to ours or otherwise implement discriminatory network management practices, our business could be negatively impacted.

Privacy concerns could limit our ability to collect and leverage our customer data and disclosure of customer data could adversely impact our business and reputation.

In the ordinary course of business, and in particular in connection with merchandising our service to our customers, we collect and utilize data supplied by our customers. We currently face certain legal obligations regarding the manner in which we treat such information. Other businesses have been criticized by privacy groups and governmental bodies for attempts to link personal identities and other information to data collected on the Internet regarding users' browsing and other habits. Increased regulation of data utilization practices, including self-regulation or findings under existing laws that limit our ability to collect and use data, could have an adverse effect on our business. In addition, if we were to disclose data about our customers in a manner that was objectionable to them, our business reputation could be adversely affected, and we could face potential legal claims that could impact our operating results.

Our reputation and relationships with customers would be harmed if our customer data, particularly billing data, were accessed by unauthorized persons.

We maintain personal data regarding our customers. This data is maintained on our own systems as well as those of third parties we use in our operations. With respect to billing data, such as credit card numbers, we do not store such information on our servers, but rely on third party services that are PCI DSS compliant for storing and accessing billing information. We take measures to protect against unauthorized intrusion into our customers' data. Despite those measures, we, our payment processing services and other third-party services we use could experience an unauthorized intrusion into our customers' data. In the event of such a breach, current and potential customers may become unwilling to provide the information to us necessary for them to become customers. Additionally, we could face legal claims for such a breach. The costs relating to any data breach could be material, and we currently do not carry insurance against the risk of a data breach. For these reasons, should an unauthorized intrusion into our customers' data occur, our business could be adversely affected.

We are subject to payment processing risk.

Our customers pay for our service using a variety of payment methods, including credit and debit cards. We rely on internal systems as well as those of third parties to process payments. Acceptance and processing of these payment methods are subject to certain rules and regulations and require payment of interchange and other fees. To the extent there are disruptions in our payment processing systems, increases in payment processing fees, material changes in the payment ecosystem, such as large re-issuances of payment cards, delays in receiving payments from payment processors and/or changes to rules or regulations concerning payment processing, our revenue, operating expenses and operating results could be adversely impacted. In addition, from time to time, we encounter fraudulent use of payment methods, which could impact our results of operation, and, if not adequately controlled and managed, could create negative consumer perceptions of our service.

If our trademarks and other proprietary rights are not adequately protected to prevent use or appropriation by our competitors, the value of our brand and other intangible assets may be diminished, and our business may be adversely affected.

We rely and expect to continue to rely on a combination of proprietary information, invention assignment, non-competition and arbitration agreements with our employees, consultants and third parties with whom we have relationships, as well as trademark, copyright, patent and trade secret protection laws, to protect our proprietary rights. We may also seek to enforce our proprietary rights through court proceedings. We have applied and we expect to apply for trademark registrations and the issuance of patents from time to time. Such applications may not be approved, third parties may challenge any copyrights, patents or trademarks issued to or held by us, third parties may knowingly or unknowingly infringe our intellectual property rights, and we may not be able to prevent infringement or misappropriation without substantial expense to us. If the protection of our intellectual property rights is inadequate to prevent use or misappropriation by third parties, the value of our brand and other intangible assets may be diminished, competitors may be able to mimic our service and methods of operations more effectively, the perception of our business and service to customers and potential customers may become confused in the marketplace, and our ability to attract customers may be adversely affected.

We currently hold various domain names relating to our brand, including www.vidangel.com. Failure to protect our domain names could adversely affect our reputation and brand and make it more difficult for customers to find our web site and our service. We may be unable, without significant cost or at all, to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our trademarks and other proprietary rights.

Intellectual property claims against us could be costly and result in the loss of significant rights related to, among other things, our web site, filtering technology, our recommendation and merchandising technology, title selection processes and marketing activities.

Trademark, copyright, patent and other intellectual property rights are important to us and other companies. Our intellectual property rights extend to our technology, business processes and the content on our web site. From time to time, third parties may allege that we have violated their intellectual property rights. If we are unable to obtain sufficient rights, successfully defend our use, develop non-infringing technology, or otherwise alter our business practices on a timely basis in response to claims for infringement, misappropriation, misuse or other violation of third-party intellectual property rights, our business and competitive position may be adversely affected. Many companies are devoting significant resources to developing patents that could potentially affect many aspects of our business. There are numerous patents that broadly claim means and methods of conducting business on the Internet. Defending against intellectual property claims, whether they are with or without merit or are determined in our favor, would result in costly litigation and the diversion of technical and management personnel. It also may result in our inability to use our current web site, streaming technology, our recommendation and merchandising technology or inability to market our service and merchandise our products. As a result of such dispute, we may have to develop non-infringing technology, enter into royalty or licensing agreements, adjust our merchandising or marketing activities or take other actions to resolve the claims. These actions, if required, may be costly or unavailable on terms acceptable to us. We are currently engaged in litigation with Disney Enterprises, Inc., et. al., or the Disney Litigation. An adverse decision from the court in connection with this litigation would adversely affect our financial condition and our ability to continue business operations. See “**DESCRIPTION OF THE BUSINESS – Legal Proceedings**” below for a detailed summary of our current litigation.

We are engaged in legal proceedings that could cause us to incur unforeseen expenses and could occupy a significant amount of our management's time and attention.

From time to time, we are subject to litigation or claims that could negatively affect our business operations and financial position. We are currently involved in the Disney Litigation and plan to use a substantial amount of the proceeds of this offering in our defense. As we grow, we expect the number of litigation matters against us to increase. These matters have included copyright infringements, which are typically expensive to defend. Litigation disputes could cause us to incur unforeseen expenses, could occupy a significant amount of our management's time and attention and could negatively affect our business operations and financial position. See "USE OF PROCEEDS TO ISSUER" and "DESCRIPTION OF THE BUSINESS – Legal Proceedings" below for a detailed summary of our current litigation.

We may seek additional capital that may result in stockholder dilution or others having rights senior to those of our Class B Common Stockholders.

From time to time, we may seek to obtain additional capital, either through equity, equity-linked or debt securities. The decision to obtain additional capital will depend on, among other things, our business plans, operating performance and condition of the capital markets. If we raise additional funds through the issuance of equity, equity-linked or debt securities, such securities may have rights, preferences or privileges senior to the rights of our Class B Common Stock and our stockholders may experience dilution.

We may lose key employees or may be unable to hire qualified employees.

We rely on the continued service of our senior management, including our CEO and co-founder Neal Harmon, members of our executive team, other key employees, and the hiring of new qualified employees. In our industry, there is substantial and continuous competition for highly-skilled business, product development, technical and other personnel. We may not be successful in recruiting new personnel and in retaining and motivating existing personnel, which may be disruptive to our operations. See "DIRECTORS, EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES."

We are dependent on our management to achieve our objectives, and our loss of, or inability to obtain, key personnel could delay or hinder implementation of our business and growth strategies, which could adversely affect the value of your investment and our ability to pay dividends.

Our success depends on the diligence, experience and skill of our Board and officers. Neal Harmon is our director and our Chief Executive Officer. Jeffrey Harmon is our Chief Marketing Officer. Elizabeth Ellis is our Chief Operating Officer. Patrick Reilly is our Director of Finance. David Quinto is our General Counsel. With the exception of Mr. Quinto, we have neither employment agreements with, nor key man insurance for, any of our officers and the loss of any of them, but particularly Messrs. Harmon, could harm our business, financial condition, cash flow and results of operations. Any such event would likely result in a material adverse effect on your investment.

Risks Relating to the Formation and Internal Operation of the Company

You will have only limited rights regarding our management, therefore, you will not have the ability to actively influence the day-to-day management of our business and affairs.

Our Board will have sole power and authority over the management of the Company, subject only to the requirements of the DGCL. See "SECURITIES BEING OFFERED – Description of Our Certificate of Incorporation and Bylaws." Therefore, you will not have an active role in the Company's day-to-day management. Further, as a holder of non-voting common stock, you will have no right to vote in the election or removal of directors, nor will you have the right to vote on major corporate actions that are subject to the approval of the Class A Stockholders.

We may change our operational policies and business and growth strategies without stockholder consent, which may subject us to different and more significant risks in the future.

Our Board determines our operational policies and our business and growth strategies. Our directors may make changes to, or approve transactions that deviate from, those policies and strategies without a vote of, or notice to, our stockholders. This could result in us conducting operational matters or pursuing different business or growth strategies than those contemplated in this Offering Circular. Under any of these circumstances, we may expose ourselves to different and more significant risks in the future, which could materially and adversely affect our business and growth.

Our management will have significant control over our operations by virtue of the equity ownership in us by entities controlled by our director, co-founder and CEO, Neal Harmon.

Mr. Neal Harmon is one of our three directors, our co-founder and our CEO. Further, Harmon Ventures LLC owns 49.63% of the Class A Common Stock of the Company and Harmon Ventures LLC is owned by Neal, Jeffery, and Daniel Harmon, who are brothers. Further, through their respective ownership, they collectively control the voting of 8,938,520 shares of our Class A Common Stock. Messrs. Harmon collectively control sufficient Class A Common Stock to significantly influence the election of our board of directors, and actions requiring the consent of a majority of the Class A Common Stockholders and this will remain unchanged following completion of this offering. See **“SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN SECURITY HOLDERS.”**

The ability of a stockholder to recover all or any portion of such stockholder’s investment in the event of a dissolution or termination may be limited.

In the event of a dissolution or termination of the Company, the proceeds realized from the liquidation of the assets of the Company will be distributed among the stockholders, but only after the satisfaction of the claims of third-party creditors of the Company. The ability of a stockholder to recover all or any portion of such stockholder’s investment under such circumstances will, accordingly, depend on the amount of net proceeds realized from such liquidation and the amount of claims to be satisfied therefrom. There can be no assurance that the Company will recognize gains on such liquidation, nor is there any assurance that common stockholders will receive a distribution in such a case.

The Board and our executive officers will have limited liability for, and will be indemnified and held harmless from, the losses of the Company.

The Company will indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company) by reason of the fact that he is or was a director, officer, employee or agent of the Company, or is or was serving at the request of our Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. A successful claim for such indemnification could deplete the Company’s assets by the amount paid. See **“SECURITIES BEING OFFERED – Description of Certificate of Incorporation and Bylaws”** below for a detailed summary of the terms of our Certificate and Bylaws. Our Certificate and Bylaws are filed as exhibits to the Offering Statement of which this Offering Circular is a part. See **“SECURITIES BEING OFFERED – Fiduciary Duties and Indemnification.”**

The video-filtering industry is subject to rapid technological change. We must continue to enhance and improve our technology.

Our current software and related web-based technology is developed and in use. We may, however, use a substantial amount of the proceeds of this offering to modify and enhance our current web site, filtering platform, content offering, and offering of content filters. We must continue to enhance and improve the performance, functionality and reliability of the systems upon which our business model is built.

The development of any software is characterized by rapid technological change, rapid introduction or changes in user requirements and preferences, short development cycles, frequent introduction of new products and services, new technologies and the emergence of new industry standards and practices that could render our existing technology obsolete. Our success will depend, in part, on our ability to continue to develop new technologies to enhance our existing technology in order to address the varied needs of existing and new customers and respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. The development of our proprietary technology involves significant technical and business risks. We may fail to use new technologies effectively or to adapt our proprietary technology and systems to customer requirements or emerging industry standards. If we are unable to adapt to changing market conditions, strategic partner and customer requirements or emerging industry standards, that will have a material adverse effect on our ability to succeed.

Our business may be subject to regulatory or legislative changes.

The Company may face government regulation and legal uncertainties in connection with its business. There may be a number of federal, state or local legislative or regulatory proposals under consideration of which the Company is not aware or which may be considered or adopted in the future. Any new legislation or regulation, or the application or interpretation of existing laws or regulations, may negatively impact the Company's growth, impose additional burden on the Company or alter how the Company does business. This could decrease the demand for our services, increase our cost of doing business or otherwise have a material adverse effect on the Company's business, results of operations and financial condition.

Risks Related to Conflicts of Interest and Interested Transactions

We use the marketing services of HB, which is owned by our founders and officers, Neal Harmon and Jeffery Harmon.

Messrs. Neal Harmon and Jeffery Harmon hold ownership interests in HB, an advertising agency which is now known for several of the world's most successful viral video campaigns (including Squatty Potty with 100 million views, PooPourri with 36 million views, Purple with 45 million views, among others). HB is in the business of providing Internet-based and multi-media promotion and marketing services. The Harmon brothers simultaneously started the ad agency HB at the inception of VidAngel so that our marketing team would have outside income. After we had built a successful VidAngel product and began to rapidly grow, HB had already built a clientele and resources to service large ad campaigns for its clients. VidAngel hired HB as an independent contractor after the terms and conditions to engage it was authorized and approved by the Board. Mr. Neal Harmon recused himself from the decision. Although, the Board will continue to review the HB marketing agreement annually, our co-founders, the Harmon brothers will continue to benefit from such agreement for so long as we engage them. See "INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS."

Members of our Board and our executive officers will have other business interests and obligations to other entities.

Neither our directors nor our executive officers will be required to manage the Company as their sole and exclusive function and they may have other business interests and may engage in other activities in addition to those relating to the Company, provided that such activities do not compete with the business of the Company or otherwise breach their agreements with the Company. We are dependent on our directors and executive officers to successfully operate the Company, and in particular Mr. Neal Harmon. Their other business interests and activities could divert time and attention from operating our business.

Risks Related to the Offering and Lack of Liquidity

There has been no active public market for our Class B Common Stock prior to this offering, and an active trading market may not be developed or sustained following this offering, which may adversely impact the market for shares of our Class B Common Stock and, along with the restrictions in our Stockholders Agreement, make it difficult to sell your shares.

Prior to this offering, there was no active market for our Class B Common Stock. We do not know the extent to which investor interest will lead to the development and maintenance of a liquid trading market, if at all. No assurance can be given that the market price of shares of our Class B Common Stock will not fluctuate or decline significantly in the future or that Class B Common Stockholders will be able to sell their shares when desired on favorable terms, or at all. Most transfers of the Offered Shares are also subject to other restrictions on transfer set forth in our Stockholders Agreement.

This is a fixed price offering and the fixed offering price may not accurately represent the current value of us or our assets at any particular time. Therefore, the purchase price you pay for the Offered Shares may not be supported by the value of our assets at the time of your purchase.

This is a fixed price offering, which means that the offering price for our Offered Shares is fixed and will not vary based on the underlying value of our assets at any time. Our Board has determined the offering price in its sole discretion. The fixed offering price for our Offered Shares has been based on an internal valuation analysis of the Company as a whole. Although we believe the valuation to be fair as of the date it was determined, the fixed offering price established for our Offered Shares may not be supported by the current value of our Company or our assets at any particular time.

The entire amount of your purchase price for your Offered Shares will not be available for investment in the Company.

A portion of the offering proceeds will be used to pay legal fees and expenses incurred in connection with the Disney Litigation, research and development expenses, advertising and marketing expenses and general working capital for the operation and management of our Company. See “**PLAN OF DISTRIBUTION.**” Thus, a portion of the gross amount of the offering proceeds will not be available for investment in the Company. See “**USE OF PROCEEDS TO ISSUER.**”

If investors successfully seek rescission, we would face severe financial demands that we may not be able to meet.

Our Offered Shares have not been registered under the Securities Act of 1933, or the Securities Act, and are being offered in reliance upon the exemption provided by Section 3(b) of the Securities Act and Regulation A promulgated thereunder. We represent that this Offering Circular does not contain any untrue statements of material fact or omit to state any material fact necessary to make the statements made, in light of all the circumstances under which they are made, not misleading. However, if this representation is inaccurate with respect to a material fact, if this offering fails to qualify for exemption from registration under the federal securities laws pursuant to Regulation A, or if we fail to register the Offered Shares or find an exemption under the securities laws of each state in which we offer the Offered Shares, each investor may have the right to rescind his, her or its purchase of the Offered Shares and to receive back from the Company his, her or its purchase price with interest. Such investors, however, may be unable to collect on any judgment, and the cost of obtaining such judgment may outweigh the benefits. If investors successfully seek rescission, we would face severe financial demands we may not be able to meet and it may adversely affect any non-rescinding investors.

Not All Investor Funds Will Be Held by a Third Party Escrow Agent.

Purchases of Shares in excess of \$5,000 must be transmitted directly by investors by either wire transfer or electronic funds transfer via ACH to a non-interest bearing escrow account maintained by Issuer Direct. Purchases of Shares in the amount of \$5,000 or less may be submitted through an investor's VidAngel customer account in accordance with the billing information for such investor at www.vidangel.com, and will not be held in the escrow account maintained by Issuer Direct, but will be held in a separate non-interest bearing account held by VidAngel until the Minimum Offering is sold. Upon achieving the minimum offering amount and the initial closing of this offering, the proceeds for the offering will be distributed to the Company and the Offered Shares will be issued to the investors. If the Minimum Offering is not sold or the offering does not close for any reason, the proceeds from the offering will be promptly returned to investors without interest in accordance with Securities Exchange Act Rule 10b-9. Although VidAngel will segregate offering proceeds we receive in a separate account, we will not be bound by the terms and conditions of a legally enforceable escrow agreement regarding the escrow and disbursement of these funds.

Risks Related to Our Stock Ownership

Provisions in our governing documents and under Delaware law could discourage a takeover that stockholders may consider favorable.

Our charter documents may discourage, delay or prevent a merger or acquisition that a stockholder may consider favorable because they provide for a right of first refusal on behalf of the Company, and if the Company declines to exercise its rights to purchase a stockholder's shares, then that offer is extended to existing shareholders.

As a Delaware corporation, we are subject to certain Delaware anti-takeover provisions. Under Delaware law, a corporation may not engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the board of directors has approved the transaction. Our board of directors could rely on Delaware law to prevent or delay an acquisition of us.

Financial forecasting may differ materially from actual results.

Given the dynamic nature of our business, and the inherent limitations in predicting the future, forecasts of our revenues, contribution margins, net income and number of total and customers and other financial and operating data may differ materially from actual results. Such discrepancies could cause a decline in the price of our Class B Common Stock.

Risks Related to Benefit Plan Investors

Fiduciaries investing the assets of a trust or pension or profit sharing plan must carefully assess an investment in our Company to ensure compliance with ERISA.

In considering an investment in the Company of a portion of the assets of a trust or a pension or profit-sharing plan qualified under Section 401(a) of the Code and exempt from tax under Section 501(a), a fiduciary should consider (i) whether the investment satisfies the diversification requirements of Section 404 of ERISA; (ii) whether the investment is prudent, since the Offered Shares are not freely transferable and there may not be a market created in which the Offered Shares may be sold or otherwise disposed; and (iii) whether interests in the Company or the underlying assets owned by the Company constitute "Plan Assets" under ERISA. See "**ERISA CONSIDERATIONS.**"

DILUTION

VidAngel is offering a minimum of 1,666,667 and a maximum of 3,750,000 shares of our Class B Common Stock at an offering price of \$3.00 per share. We have previously issued stock options for the acquisition of Class A Common Stock pursuant to our Stock Incentive Plan with a weighted average exercise price of \$0.56 per share. We also closed three rounds of financing on November 28, 2015, during which we sold Class A Common Stock for a weighted average price of \$0.64 per share. The aggregate average price between the exercise price for stock options issued pursuant to the Stock Incentive Plan and the price of shares of Class A Common Stock issued pursuant to the two rounds of financing on November 18, 2015 is \$0.62, or \$2.38 less per share than the Offered Shares.

Under our Stock Incentive Plan, we granted options exercisable for 1,022,811 shares of Class A Common Stock to our directors, officers, employees and consultants as equity incentive compensation. The weighted average exercise price of those outstanding options is \$0.56 per share, or \$2.44 average less per share than the Offered Shares. Currently, there are outstanding (i) options exercisable for 10,000 shares of Class A Common Stock with an expiration date of April 11, 2024, and an exercise price of \$0.18; (ii) options exercisable for 79,311 shares of Class A Common Stock with an expiration date of May 5, 2024, and an exercise price of \$0.18; (iii) options exercisable for 10,000 shares of Class A Common Stock with an expiration date of October 10, 2024, and an exercise price of \$0.18; (iv) options exercisable for 10,000 shares of Class A Common Stock with an expiration date of November 3, 2024 and a strike price of \$0.30; (v) options exercisable for 225,000 shares of Class A Common Stock with an expiration date of April 15, 2025, and an exercise price of \$0.50; (vi) options exercisable for 135,500 shares of Class A Common Stock with an expiration date of April 17, 2025, and an exercise price of \$0.50; (vii) options exercisable for 70,000 shares of Class A Common Stock with an expiration date of May 11, 2025, and an exercise price of \$0.50; (viii) options exercisable for 70,000 shares of Class A Common Stock with an expiration date of July 17, 2025, and an exercise price of \$0.50; (ix) options exercisable for 120,000 shares of Class A Common Stock with an expiration date of November 18, 2025, and an exercise price of \$0.50; (x) options exercisable for 134,250 shares of Class A Common Stock with an expiration date of February 11, 2026, and an exercise price of \$0.82; and (xi) options exercisable for 158,750 shares of Class A Common Stock with an expiration date of August 10, 2026, and an exercise price of \$0.82. Of the outstanding stock options, options exercisable for 326,000 shares of common stock were granted with no vesting period, and options exercisable for 696,811 of Class A Common Stock have vesting periods between 36 to 48 months from their vesting dates which range from April 11, 2014 to July 20, 2016.

On November 28, 2015, VidAngel conducted three separate financings involving the issuance of convertible promissory notes during which we raised an aggregate amount of \$2,919,460 in exchange for the issuance of notes convertible into 3,526,896 shares of Class A Common Stock with an average per share conversion price of \$0.54, and sold an additional 1,065,755 shares of Class A Common Stock at a price of \$0.94 per share. In the second convertible note financing, Alta Ventures Mexico Fund I, LP, of which our director, Paul Ahlstrom, is the managing director, purchased convertible promissory notes convertible into 618,119 shares of Class A Common Stock for \$409,397 with an average per share conversion price of \$0.66, or \$2.34 average less per share than the Offered Shares, and purchased an additional 426,302 shares of Class A Common Stock for \$400,000, or \$0.94 per share, which is \$2.06 less than the Offered Shares.

PLAN OF DISTRIBUTION

We are not selling the shares through commissioned sales agents or underwriters. We will use our existing website, www.vidangel.com, to provide notification of the offering. This Offering Circular will be furnished to prospective investors at www.vidangel.com/invest via download 24 hours per day, 7 days per week on our website. Our website and Issuer Direct's website will be the exclusive means by which prospective investors may subscribe in this offering.

The Offered Shares will be issued in one or more closings. For the Initial Closing and each subsequent Additional Closing, proceeds for subscriptions over \$5,000 must be transmitted directly by wire or electronic funds transfer via ACH to the specified bank account maintained by Issuer Direct pursuant to the instructions in the subscription agreement. Such funds will be kept in a non-interest bearing escrow account maintained by Issuer Direct until the Initial Closing and the Minimum Offering is sold. Proceeds for subscriptions of \$5,000 or less will be held in a separate non-interest bearing account by VidAngel until the Initial Closing and the Minimum Offering is sold, and may be submitted through an investors VidAngel customer account in accordance with the billing information for such investor at www.vidangel.com. Upon each closing, any proceeds collected for such closing will be disbursed to the Company and the Offered Shares for such closing will be issued to investors. We must sell the Minimum Offering if any shares are to be sold at all. The separate non-interest bearing account will be opened by VidAngel prior to the date of qualification of the offering statement of which this Offering Circular is a part and will remain open until the Termination Date. The subscription agreement is available at www.vidangel.com/invest. If, on the Termination Date, investor funds are not received in respect of the Minimum Offering, then all investor funds that were deposited into either the separate non-interest bearing account with us or into the escrow account with Issuer Direct will be returned promptly to investors in accordance with Securities Exchange Act Rule 10b-9.

Technology, Anti-Money Laundering and Transfer Agent Services

Issuer Direct has been engaged to provide certain technology, anti-money laundering and transfer agent services in connection with this offering. The Company has agreed to pay Issuer Direct a facilitation fee equal to \$5.00 per domestic investor for the anti-money laundering check and technology services for each subscription agreement executed via electronic signature on www.vidangel.com. For transactions conducted on Issuer Direct's website, the Company has agreed to pay \$25.00 for the same service. We have also engaged Issuer Direct to serve as transfer agent for the offering and have agreed to pay a \$2,500.00 account set up fee. Issuer Direct is also entitled to certain other itemized administrative fees, including (i) up to \$15.00 per investor (depending on whether subscription is by ACH or wire transfer) for processing incoming funds, (ii) \$25.00 per physical stock certificate request (which will be only provided upon request and fee payment by the VidAngel customer requesting the certificate), and (iii) \$25.00 per wire transfer for outbound funds to us upon the closing of this offering. For the Company, the itemized fees payable to Issuer Direct will not exceed a maximum of \$150,000. Issuer Direct is not participating as an underwriter of the offering and will not solicit any investment in the Company, recommend the Company's securities or provide investment advice to any prospective investor, or distribute the Offering Circular or other offering materials to investors. All inquiries regarding this offering should be made directly to the Company.

Offering Expenses. We are responsible for all offering fees and expenses, including the following: (i) fees and disbursements of our legal counsel, accountants and other professionals we engage; (ii) fees and expenses incurred in the production of offering documents, including design, printing, photograph, and written material procurement costs; (iii) all filing fees, including blue sky filing fees; (iv) all of the legal fees related to the registration and qualification of the Offered Shares under state securities laws (not to exceed \$600,000 in the aggregate); and (v) all costs of Issuer Direct's services.

Pricing of the Offering

Prior to the offering, there has been no public market for the Offered Shares. The initial public offering price was determined by us. The principal factors considered in determining the initial public offering price include:

- the information set forth in this Offering Circular;
- our history and prospects and the history of and prospects for the industry in which we compete;
- our past and present financial performance;
- our prospects for future earnings and the present state of our development;
- the general condition of the securities markets at the time of this offering;
- the status of litigation we are engaged in; and
- other factors deemed relevant by us.

Investment Limitations

Generally, no sale may be made to you in this offering if the aggregate purchase price you pay is more than 10% of the greater of your annual income or net worth. Different rules apply to accredited investors and non-natural persons. Before making any representation that your investment does not exceed applicable thresholds, we encourage you to review Rule 251(d)(2)(i)(C) of Regulation A. For general information on investing, we encourage you to refer to www.investor.gov.

As a Tier 2, Regulation A offering, investors must comply with the 10% limitation to investment in the offering. The only investor in this offering exempt from this limitation is an accredited investor, an "Accredited Investor," as defined under Rule 501 of Regulation D. If you meet one of the following tests you should qualify as an Accredited Investor:

- (i) You are a natural person who has had individual income in excess of \$200,000 in each of the two most recent years, or joint income with your spouse in excess of \$300,000 in each of these years, and have a reasonable expectation of reaching the same income level in the current year;
- (ii) You are a natural person and your individual net worth, or joint net worth with your spouse, exceeds \$1,000,000 at the time you purchase Offered Shares (please see below on how to calculate your net worth);
- (iii) You are an executive officer or general partner of the issuer or a manager or executive officer of the general partner of the issuer;
- (iv) You are an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the Code, a corporation, a Massachusetts or similar business trust or a partnership, not formed for the specific purpose of acquiring the Offered Shares, with total assets in excess of \$5,000,000;
- (v) You are a bank or a savings and loan association or other institution as defined in the Securities Act, a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, an insurance company as defined by the Securities Act, an investment company registered under the Investment Company Act of 1940, as amended, or the Investment Company Act, or a business development company as defined in that act, any Small Business Investment Company licensed by the Small Business Investment Act of 1958 or a private business development company as defined in the Investment Advisers Act of 1940;
- (vi) You are an entity (including an Individual Retirement Account trust) in which each equity owner is an accredited investor;
- (vii) You are a trust with total assets in excess of \$5,000,000, your purchase of Offered Shares is directed by a person who either alone or with his purchaser representative(s) (as defined in Regulation D promulgated under the Securities Act) has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment, and you were not formed for the specific purpose of investing in the Offered Shares; or

- (viii) You are a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has assets in excess of \$5,000,000.

Offering Period and Expiration Date

This offering will start on or after the date this Offering Circular is declared qualified by the SEC and will terminate on the Termination Date.

Procedures for Subscribing

If you decide to subscribe for Offering Shares in this offering, you should:

Go to www.vidangel.com/invest, click on the “Invest Now” button and follow the procedures as described.

1. Electronically receive, review, execute and deliver to us a subscription agreement; and
2. If your subscription price is greater than \$5,000, deliver funds directly by wire or electronic funds transfer via ACH to the specified bank account maintained by VidAngel.

3. If your subscription price is \$5,000 or less, you may (i) pay for your subscription price through a purchaser’s VidAngel customer account in accordance with the billing information for such purchaser at www.vidangel.com. or, (ii) if greater than \$1,000, transmit funds directly by wire or electronic funds transfer via ACH to the specified account maintained by VidAngel per the instructions in the subscription agreement we will bill your customer account in accordance with your billing information at www.vidangel.com.

Any potential investor will have ample time to review the subscription agreement, along with their counsel, prior to making any final investment decision.

The Company has engaged Issuer Direct to provide certain technology and administrative services in connection with the offering, including the online platform by which subscribers may receive, review, execute and deliver subscription agreements electronically.

Right to Reject Subscriptions. After we receive your complete, executed subscription agreement and the funds required under the subscription agreement have been received, we have the right to review and accept or reject your subscription in whole or in part, for any reason or for no reason. We will return all monies from rejected subscriptions immediately to you, generally without interest and without deduction.

Acceptance of Subscriptions. Upon our acceptance of a subscription agreement, we will countersign the subscription agreement and issue the shares subscribed at closing. Once you submit the subscription agreement and it is accepted, you may not revoke or change your subscription or request your subscription funds. All accepted subscription agreements are irrevocable.

Under Rule 251 of Regulation A, **non-accredited, non-natural investors** are subject to the investment limitation and may only invest funds which do not exceed 10% of the greater of the purchaser’s revenue or net assets (as of the purchaser’s most recent fiscal year end). A **non-accredited, natural person** may only invest funds which do not exceed 10% of the greater of the purchaser’s annual income or net worth (please see below on how to calculate your net worth).

We may engage a broker-dealer registered with the Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority, to perform administrative functions in connection with this offering, such as serve as registered agent where required for state blue sky requirements, but in no circumstance will such broker-dealer solicit a securities transaction, recommend our securities, or provide investment advice to any prospective investor.

NOTE: For the purposes of calculating your net worth, or Net Worth, it is defined as the difference between total assets and total liabilities. This calculation must exclude the value of your primary residence and may exclude any indebtedness secured by your primary residence (up to an amount equal to the value of your primary residence). In the case of fiduciary accounts, net worth and/or income suitability requirements may be satisfied by the beneficiary of the account or by the fiduciary, if the fiduciary directly or indirectly provides funds for the purchase of the Offered Shares.

In order to purchase Offered Shares and prior to the acceptance of any funds from an investor, an investor will be required to represent, to the Company’s satisfaction, that he is either an accredited investor or is in compliance with the 10% of net worth or annual income limitation on investment in this offering.

USE OF PROCEEDS TO ISSUER

Net proceeds to the Company from this offering are anticipated to be \$10,820,000, assuming we sell the Maximum Offering, and \$4,720,000, assuming we sell the Minimum Offering, following the payment of offering costs. Set forth below is a table showing the estimated sources and uses of the proceeds from this offering.

	<u>Minimum Offering</u>	<u>% of Offering Proceeds</u>	<u>Maximum Offering Amount</u>	<u>% of Offering Proceeds</u>
Gross Proceeds	\$ 5,000,000	100.00%	\$ 11,250,000	100.00%
Estimated Offering Expenses ⁽¹⁾	\$ 280,000	5.60%	\$ 430,000	3.82%
Net Proceeds	\$ 4,720,000	94.40%	\$ 10,820,000	96.18%
Research and Development	\$ 500,000	10.00%	\$ 2,000,000	17.78%
Advertising and Promotion	\$ 900,000	18.00%	\$ 4,750,000	42.22%
Legal Fees and Expenses ⁽²⁾	\$ 2,000,000	40.00%	\$ 3,000,000	26.67%
Working Capital ⁽³⁾	\$ 1,320,000	26.40%	\$ 1,070,000	9.51%
Total Use of Proceeds	\$ 5,000,000	100.00%	\$ 11,250,000	100.00%

(1) Estimated offering expenses include legal, accounting, printing, advertising, travel, marketing, blue-sky compliance and other expenses of this offering, as well as transfer agent fees.

(2) Legal Fees and expenses associated with the Disney Litigation.

(3) We intend to use approximately 94.40% of the gross offering proceeds if the Minimum Offering is sold or 96.18% of the gross offering proceeds if the Maximum Offering is sold to manage our business and provide working capital for operations. These amounts may be used to pay expenses relating to salaries and other compensation to our officers, employees.

DESCRIPTION OF OUR BUSINESS

General

In 2013, four brothers, Neal, Daniel, Jeffrey, and Jordan Harmon, founded VidAngel, a filtering company that gives viewers the choice to remove objectional content, such as violence, sex, nudity, and/or language, from authorized copies of movies and television programs released on discs. The Harmon brothers, as fathers of children aged newborn to ten, were searching for a better way to watch quality content with their kids. They founded VidAngel to give their families, and all other families, greater personal choice in the movies and television programs they watch at home. VidAngel's purpose is not only to allow families to watch "however the BLEEP they want," but to protect an individual's legal right to customize the content they watch at home. Today, management believes that VidAngel is the leading filtering company with Apps, available on all major platforms, and that the potential demand for our service is significant.

The Company was formed as a Utah limited liability company on October 22, 2013 pursuant to a Certificate of Formation filed with the State of Utah's Department of Commerce and that certain Operating Agreement of the Company, dated December 13, 2013, by and among the Company and its members. Subsequently, the Company was converted into VidAngel, Inc. a Delaware corporation, on February 12, 2014, pursuant to Articles of Conversion filed with the State of Utah's Department of Commerce

The Operations of the Company

Management believes that VidAngel offers the greatest degree of personal choice in the entertainment marketplace by selling DVD and Blu-ray movies and television shows on disc and providing its users the technology to filter and view their movies and TV shows remotely on modern devices such as cell phones, tablets, set top boxes (e.g. Apple TV, Roku, Amazon Fire TV, etc.), computers and, we anticipate, in the future, gaming consoles and smart TVs.

In connection with offering its filtering service, VidAngel resells DVD and Blu-ray movies and television shows on discs to our customers for a fixed price of \$20.00 per disc, or the Sale Price. Upon purchase of such disc, our customer agrees to have us retain physical custody of the disc. Once our customer finishes watching the purchased content through its chosen platform, they may choose either to keep the purchased title or sell the disc back to us at a reduced repurchase price, or the Repurchase Price. If customers elect to return their discs to us, the Repurchase Price offered by VidAngel reflects the (i) format of the disc and (ii) total number of 24-hour periods our customers have owned their discs. The Repurchase Prices paid by VidAngel are currently the Sales Price less \$1.00 per 24-hour period for each DVD, and \$2.00 per 24-hour period for each Blu-ray disc. Our customers have access to our content filtering technology for use with a specific disc for as long as they own it. Our service allows our customers to direct their individual viewing experience by removing certain audio or video segments that contain material considered objectionable by our customer. Once a customer chooses to sell the disc back to us, their access to our content filtering technology for that disc terminates and VidAngel's obligations to such customer are complete.

To provide a remote filtering service, VidAngel has developed the following core proprietary technologies:

1. Patent-pending Remote Media Ownership Management System
2. Patent-pending Crowd-based Tagging System
3. Patented Seamless Streaming and Filtering System

VidAngel believes that one of the most crucial systems in maintaining a lawful business is the first system for RMOM. This system ensures that VidAngel does not sell any DVD or Blu-ray discs without owning the media. This system ensures that all copyright holders are compensated for their copyrighted works. VidAngel engaged an independent third party to conduct a Service Organization Control Report, or SOC 2 Type 1, to report on controls for the Processing Integrity Principle. The report, which is as of January 27, 2016, includes our Infrastructure, Software, People, Procedures and Data.

Under the direction of our CEO, VidAngel currently operates with five management teams: the Tech Team, the Marketing Team, the Digital Content Team, the Finance Team and the Legal Team.

The Tech Team is led by our Director of Technology, Jarom McDonald, PhD, who oversees all technology employees and contractors who contribute technical support, application development, and front and back-end development and maintenance of the system. The Marketing Team is led by our CMO who oversees the Director of Marketing and any marketing interns. The Marketing Team is responsible for all content creation and advertising relating to the growth of the Company. The Digital Content Team is led by our COO, who oversees all employees involved in customer service, inventory management, streaming and tagging. The Digital Content Team is responsible for providing users with the best possible customer experience. The Finance Team is led by our Director of Finance who oversees all employees involved in finance, accounting and purchasing. The Legal Team is led by our General Counsel, who is responsible for all Company legal matters and litigation oversight.

Target Demographics

VidAngel offers its filtering and RMOM services to the U.S. movie and TV show home entertainment market, which is highly competitive. The Company has examined various considerations with regards to the marketability and desirability for its services, including a cost analysis compared to its closest competitors, examined the Company's unique profile, and examined its target consumer markets. We believe our core target market is the "Values Audience" segment, some 52 million adults of the U.S. population representing 37% of the entertainment market whose religious faith is extremely important to them and is a part of their daily lives. The Company believes the Values Audience demonstrates stronger overall concern about the explicit content that they, and their family members, are exposed to in TV shows and movies. VidAngel believes that within the Values Audience segment, parents will tend to take a particular interest in the Company's services.

Method of Distribution

VidAngel offers its filtering application and RMOM through a host of Internet-connected screens, including TVs, digital video players, television set-top boxes and mobile devices. VidAngel has agreements with various technology companies and distributors to make our service available through the television set-top boxes of service providers. Our Apps allow for purchasing of Blu-ray and DVD discs within the App, which requires that we share between 20 and 30 percent of our revenue with these technology distribution partners for the discs purchased on their platforms (Apple, Google, Amazon, and Roku). We intend to continue to broaden our capability to sell and deliver discs on other platforms and partners over time. We rely on certain third-party cloud service providers to operate certain aspects of our business. For VidAngel to legally offer filtered movies, users must own the disc while filtering it. To make this as affordable and user-friendly as possible, we have created an instant "Sell-Back" option to buy the disc back from customers and put the credit from the repurchase into the customer's VidAngel account.

Quick Overview: (using a \$20.00 disc)

1. BUY THE DISC – Users pay the retail price of \$20.00 as an initial credit card payment.
2. USER WATCH FILTERED- Users choose their own filters according to their preferences and watch their disc on their favorite device.
3. USERS SELL THE DISC—When finished within 24 hours, users may sell back the disc, \$18.00 for Blu-ray or \$19.00 for DVD, for instant credit to a user's VidAngel account for their next purchase. Within 48 hours, users may sell back the disc for \$16.00, for Blu-ray, or \$18.00, for DVD, of instant credit. The sell back price continues to decrease by \$2.00 per day for Blu-ray's, and \$1.00 per day for DVD's until no sell back value remains.

When customers are ready for the next disc, the credit is already in the customer's VidAngel account and will automatically be applied to their purchase. Customers may continue to buy and sell discs with account credit and pay only \$2.00 per Blu-ray disc. Customer's credit cards will be only charged if the customer's account credit is lower than the retail price of the next disc the customer wishes to purchase. If a customer's account balance is less than the cost of the disc, the customer will be charged the small difference to bring the account balance up to that amount. If the disc price is lower than the customer's credit balance, the customer will have no charge and their purchase will be entirely paid with credit. For example: If a customer has \$15.00 in their account and wants to buy a \$20.00 disc, the customer's credit card will be charged the \$5.00 difference. When a customer sells the disc back after the \$2.00 watch price, the customer's VidAngel account will be credited the remaining \$18.00. As a customer continues to use the account credit, the customer may have small charges of varying sizes depending on the retail price of the disc the customer purchases next.

Marketing and Advertising

VidAngel utilizes a broad mix of marketing and public relations programs, including social media sites such as Facebook, Youtube and Twitter, to promote our service to potential customers. VidAngel also relies extensively on word-of-mouth from our existing customers who have enjoyed a positive experience from use of our service. We also rely on the marketing services of HB, who is in the business of providing internet-based and multi-media promotion and marketing services, including the design, implementation and execution of promotional and web-based advertising campaigns. See **“Interest of Management and Others in Certain Transactions and Other Conflicts of Interest—Affiliated Transactions.”**

Cost Comparisons to our Competitors

When compared to our primary filtering competitor, ClearPlay, VidAngel believes we are substantially more attractive on the basis of cost, filtering and efficiency. When compared to other streaming services, we believe VidAngel still represents a significantly better value proposition on the basis of its unique RMOM. Whereas streaming services can cost up to \$4-\$5 per a movie, VidAngel, through its RMOM, permits a user to watch a movie for as little as \$1 with the “Sell-Back” option.

Our Intellectual Property

We rely on a combination of patent, copyright, trademark and trade secret laws in the United States and other jurisdictions, as well as license agreements and other contractual documents, to protect our proprietary technology. We rely on a number of registered and unregistered trademarks to protect our brand. As of the date of this Offering Circular, we have one registered trademark “VidAngel,” and five unregistered trademarks, “VidMap,” “VidTag,” “watch however the BLEEP you want,” “watch movies however the BLEEP they want,” and “watch movies & TV however the BLEEP you want.” VidAngel, Inc. owns numerous Internet domain sights and websites, including: www.vidangel.com; www.vidangle.com; www.viddevil.com; www.stopjarjar.com; www.cleantube.com; and www.kleentube.com. As of the date of this Offering Circular, in the United States, we have been issued a U.S. patent for seamless streaming and filtering, filed on March 31, 2015 with an expiration date of March 30, 2035, and have two patent applications for: (i) curating filters for audiovisual content, or Filter Curation Platform (U.S. Patent Application No. 14/621972), and (ii) a method and system for a remote media ownership management, or RMOM, apparatus, system and method (US. Patent Application No. 11/608165), pending for examination. Our patent and pending patents are discussed in further depth below.

Patents

Seamless streaming and filtering. We currently own a patent for a Seamless streaming and filtering (the “Streaming and Filter Solution”) method and system (U.S Patent Application. No. 14/674,364, filed on March 31, 2015; U.S. Patent No. 9,363,561 issued on June 7, 2016) . The Streaming and Filtering Solution is designed to smoothly filter content streamed over HTTP Live Streaming, or HLS. HLS streams content, e.g. movies, by dividing the content into a series of short media segment files. The client requests each of the media segment files identified by the HLS index file, and the server transmits each media segment file upon the client’s request. The Streaming and Filtering Solution generates a content map for a movie, the content map identifying all parts of a movie with filterable content (e.g. vulgarity, sex/nudity, violence, etc.). The content map generates categories and subcategories of filterable elements (e.g. Vulgarity (category): “f---“(subcategory)). The content map may be generated in a variety of ways, e.g. by a human who watches a movie and documents the characteristics of filterable elements in the movie; through a community or crowd-based approach; programmatically; or in any other way by which filterable elements may be identified. For example, the content map may identify time periods during the movie which may be filtered for language, e.g., the “sh—“ word at minute: second marker 45:39.5-45:40. A content map entry may include identification of the temporal (e.g. minute markers during the movie), spatial (e.g., area of display to be cut, cropped, kept, blurred, or otherwise filtered), and audible (e.g. channels or other content aspects containing filterable content) dimensions of filterable content in the movie (or other type of content), or other characteristics of a particular filterable element. The client selects its own preferences, which may be based on a particular user or person, the physical location to which content is being streamed, or any other criteria for determining how to filter content. For example, preferences may indicate that the “f---“ should be entirely muted, but that, for the “crap” word, the volume should be merely turned down halfway. The Streaming and Filtering Solution dynamically generates a media segment file as directed by the user’s preferences, and the file is then transmitted to the client without ever placing the filtered media segment file in fixed storage. Generating a filtered media segment may comprise omitting an entire segment, omitting one or more chronological segments of the media segment file, completely muting all audio, partially turning down all sound, muting only one or more of all of the audio channels, turning down the sound on one or more of the audio channels, turning up the sound on one or more audio channels, cropping the video, blurring all or part of the video, replacing all or part of the video, or any other audio, visual, or other effect or manipulation known in the art.

Curating Filters for Audiovisual Content. We own a patent application for a curating filters for audiovisual content, or Filter Curation Platform, method and system (U.S. Patent Application No. 14/621972 filed February 13, 2015). The Filter Curation Platform enables users to curate and access custom filters to adapt the playback of audiovisual content. The Filter Curation Platform may enable users (i.e. video viewers, video taggers, video reviewers and video publishers), which have different roles, to create one or more video tags for a movie, and thereby create a full or partial video map for the movie. A video tag is a short description of a segment/clip of a multimedia file. A video tag includes a type, start time, end time, and a category. Examples of video tag categories may include positive and negative categories, such as action, dramatic, scary, alcohol/drugs, profane/crude language, sex/nudity, and violence, among other categories. A video tagger may create video maps for audiovisual content. A video reviewer is a user who may review video maps for mistakes, make corrections, and provide feedback on the video maps created by video taggers. A video publisher is a user who may prepare, finalize, and publish video maps to a multimedia portal. Multiple video taggers may tag the same portions of a movie, and a video reviewer may access the video maps from multiple video taggers. The process may be iterative in many ways, so that multiple video taggers, video reviewers and video publishers may prepare, review, edit and pass among each other video maps in various orders and workflows. Once the video map has been published, the video viewer, via a media player interface may define filters using a video map of the movie. The video viewer may customize the filter to display (or make audible) some categories or specific segments of filterable content, but not others. Video maps may receive scores from video users, such as receiving one halo for poor quality and up to five haloes for excellent quality. In some cases, video taggers, video reviewers and video publishers may receive cash consideration for their services.

Apparatus, System and Method for Remote Media Ownership Management. We also own a patent application for a remote media ownership management, or RMOM, apparatus, system and method (US. Patent Application No. 11/608165) filed December 7, 2006. RMOM is an apparatus, system and method that allows a consumer to deposit physical media units, or PMUs or Content, such as music CDs or movies, with the RMOM's transfer facility, where such a deposit is listed on an ownership register, in exchange for the user's ability to access their Content remotely. Users are not only able to access the Content they have physically deposited with RMOM, but users are also able to buy and sell Content to and from other users by use of the RMOM's trading system. The RMOM may collect monetary commissions for the operator and applicable taxes. The RMOM may further comprise a media verification component configured to identify damaged incoming Content as an acceptable representation of ownership of the Content. For example, a music CD with scratches such that the media on the music CD is not playable with the standard CD player may nevertheless clearly be a genuine copy of the music CD. In the example, depending upon the law where the system operates, a digital media equivalent may be provided to the owning user of the damaged incoming Content when the owning user requests access to the content of the music CD. The RMOM overcomes previous limitations in the art by allowing users to access and trade Content without the constraints and risks of maintaining the Content at the location of the user.

In addition, we seek to protect our intellectual property rights by implementing a policy that requires all of our employees and independent contractors involved in development of intellectual property on our behalf to enter into agreements acknowledging that all works or other intellectual property generated or conceived by them on our behalf are our property, and assigning to us any rights, including intellectual property rights, that they may claim or otherwise have in those works or property, to the extent allowable under applicable law.

Despite our efforts to protect our technology and proprietary rights through enforcement of our intellectual property rights, licenses and other contractual protections, unauthorized parties may still copy or otherwise obtain and use our software and other technology. As we continue to expand our operations, effective intellectual property protection, including copyright, trademark and trade secret protection may not be available or may be limited in foreign countries. Significant impairment of our intellectual property rights could harm our business or our ability to compete. Further, companies in the communications and technology industries frequently own large numbers of patents, copyrights and trademarks and may threaten litigation or file suit against us based on allegations of infringement or other violations of intellectual property rights. We are currently subject to, and expect to face in the future, allegations that we have infringed the intellectual property rights of third parties, including our competitors and non-practicing entities. See "DESCRIPTION OF OUR BUSINESS – Legal Proceedings."

Competition

Our primary competitor in providing a filtering service is ClearPlay. ClearPlay operates a membership fee-based filtering service that allows users to filter content they find objectionable. ClearPlay users select the movie they want to watch on ClearPlay's website, then rent the Standard Definition movie on Google Play, and return to the ClearPlay website where they select their filters before watching the movie. ClearPlay offers hardware for use by users to watch filtered content on their TV, such as the ClearPlay Blu-Ray and DVD Player and the FilterStik. The FilterStik is a USB-sized device that can be plugged into a viewing platform, such as a standard DVD player, in order to filter content; however, no additional hardware is needed to use ClearPlay's services from either a PC or Mac. It is possible for ClearPlay users to transmit the filtered movie from their computer to TV by methods such as connecting their computer to their TV with an HDMI cable. As of August 4, 2016, ClearPlay charges a membership fee of \$7.99 a month or \$79.99 annually. In addition to membership fees, ClearPlay users must pay the full retail rental or purchase price for the content they intend to filter and view. VidAngel believes it offers a better value, as well as a higher quality and more user-friendly service than ClearPlay for modern media consumption devices. ClearPlay and VidAngel were previously engaged in litigation regarding patent rights. ClearPlay was also engaged in other litigation, which ultimately resulted in the invalidation of many of ClearPlay's patent claims. We believe ClearPlay will reassert one or more of its patent claims against us in the near future. Such litigation could have a material adverse effect on our business operations were we not to prevail. See "**Description of Our Business—ClearPlay Litigation.**"

Research and Development

During the fiscal years ended December 31, 2014 and 2015, we spent \$35,990 and \$310,754, respectively, on research and development activities relating to our technology.

Employees

As of June 30, 2016, we employed a total of 20 full-time and 24 part-time individuals. None of our employees are covered by a collective bargaining agreement.

Legal Proceedings

VidAngel currently is, and from time to time might again become, involved in litigation. Litigation has the potential to cause us to incur unexpected losses, some of which might not be covered by insurance but can materially affect our financial condition and its ability to continue our business operations.

Disney Litigation

On June 9, 2016, the Plaintiffs initiated the Disney Litigation against VidAngel in the United States District Court for the Central District of California, or the California District Court. They alleged two claims: (a) that VidAngel requires, but does not have, the Plaintiffs' authorization to make digital copies of the Plaintiffs' copyrighted works and thus violates 17 U.S.C. Sections 106(1) and (4), and (b) that VidAngel violates Section 1201 (a)(1)(A) of the DMCA by circumventing a technological measure that effectively controls access to works protected under the Copyright Act. The Plaintiffs are seeking monetary damages, costs, and attorneys' fees from VidAngel, as well as preliminary and permanent injunctions prohibiting VidAngel from continuing to engage in the challenged conduct.

VidAngel filed its Answer and Counter-Complaint on July 12, 2016, asserting that its technology does not infringe on the Plaintiffs' rights and otherwise complies with applicable law. Among other defenses, VidAngel argues that the circumvention of technological access-control measures in making digital copies of copyrighted works is: (a) authorized by the FMA, which permits the filtering and transmission of copyrighted material owned by third parties, and (b) is further permitted under the DMCA by the "fair use" doctrine. VidAngel has also alleged numerous counterclaims against the Plaintiffs, including that the Plaintiffs are engaging in an unreasonable restraint on interstate trade in violation of Section 1 of the Sherman Antitrust Act and Section 4 of the Clayton Antitrust Act (codified at 15 U.S.C. Sections 1 and 5, respectively). The Plaintiffs have reserved October 31, 2016, on the California District Court's calendar to argue their motion seeking the entry of a preliminary injunction. The Plaintiffs filed and served their motion on August 22, 2016. VidAngel filed and served its opposition to the motion on September 12, 2016, and the Plaintiffs filed a reply in support of the motion on October 3, 2016.

The Plaintiffs have additionally said that they plan to schedule a motion to dismiss VidAngel's counterclaims for hearing on December 19, 2016.

Due to the nature of the claims and counterclaims, as well as the very early stage of the litigation, VidAngel is unable to predict the eventual result or estimate the amount of any potential liability or recovery. VidAngel plans to use a substantial portion of the proceeds of this offering to defend the Disney Litigation, including by prosecuting its counterclaims. If the Disney Litigation is decided adversely to VidAngel, it would have a material adverse effect on VidAngel's financial condition and its ability to continue business operations.

ClearPlay Litigation

In 2014, VidAngel (then doing business as VidAngel, LLC), responded to a contention by ClearPlay, Inc., or ClearPlay, that we were infringing on certain ClearPlay patents by suing ClearPlay in the United States District Court for the Central District of California (the case later moved to Utah). In doing so, we requested judicial determinations that our technology and service did not infringe eight patents owned by ClearPlay and that the patents were invalid. In turn, ClearPlay counterclaimed against VidAngel alleging patent infringement. On February 17, 2015, the case was stayed pending inter parties review by the United States Patent and Trademark Office's, or the USPTO's, review of several of ClearPlay's patents. We were not a party to or involved in the USPTO's review of those patents. Owing to those proceedings, on May 29, 2015, the Utah trial court closed the case without prejudice to the parties' rights to reassert any or all claims later. In July and August 2015, many of ClearPlay's patent claims, including many of the claims asserted against VidAngel, were ruled unpatentable by the USPTO. Some of ClearPlay's other patent claims were upheld and still others were never challenged in the USPTO. Following the USPTO's rulings, ClearPlay appealed some of the USPTO's invalidity decisions to the United States Court of Appeals for the Federal Circuit. These findings of invalidity were all affirmed by the court on August 16, 2016. The Utah District Court's order staying this litigation instructed ClearPlay to contact the Court within two weeks of the final Inter Partes Review decision after which the Court would set a telephonic status conference. It has been over a year since the Inter Partes Review decisions were issued. We believe ClearPlay will reassert its surviving claims in the near future and that the litigation could have a material adverse effect on VidAngel's business operations if Clearplay were to prevail. See "**RISK FACTORS - We face risks, such as unforeseen costs and potential liability in connection with content we acquire, filter and/or distribute through our service.**" See also "**RISK FACTORS—We are engaged in current litigation, the outcome of which, if not favorable to VidAngel, would have a material adverse effect on us and our ability to continue our business operations.**"

DESCRIPTION OF OUR PROPERTIES

As of the date of this Offering Circular, our primary assets are our Intellectual Property and the contracts we have entered into directly.

We lease our office facilities at 249 North University Avenue, Provo, Utah, under a month-to-month lease. We currently rent our offices for \$1,750.00 a month. We do not currently own or lease any other real property. See **"DESCRIPTION OF BUSINESS"** for more information.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

This Offering Circular contains certain forward-looking statements that are subject to various risks and uncertainties. Factors that might cause or contribute to such differences include, but are not limited to, those discussed on Page 5 of this Offering Circular under the heading "CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS".

We assume no obligation to revise or publicly release any revision to forward-looking statements contained in the Offering Circular, unless required by law.

Overview

VidAngel is a reseller of Blu-ray and DVD discs and offers a large variety of movies and TV shows on discs, in both formats, for purchase on our website, www.vidangel.com. Upon purchase of such disc at the Sales Price, our customer agrees to have us retain physical custody of the disc. As part of the purchase transaction, we include access to our proprietary and patented content filtering technology that provides our customers with ultimate control over the purchased content and allows for seamless removal and/or muting of content deemed objectionable by our customers. Once our customer finishes watching purchased content, they may choose to either keep the purchased title or to sell the disc back to us at a reduced price. If customers elect to return their disc to us, the Repurchase Price offered by VidAngel reflects the (i) format of the disc and (ii) total number of 24-hour periods our customers own their discs. Our customers have access to our content filtering technology for use with a specific disc for as long as they own it. Our service allows our customers to direct their individual viewing experience by removing certain audio or video segments that contain material considered objectionable by our customer. Once a customer chooses to sell the disc back to us, their access to our content filtering technology for that disc terminates and VidAngel's obligations to such customer are complete.

Revenue Model

Each disc is sold to our customers for the Sales Price of \$20.00 per disc. Upon purchase of such disc, our customer agrees to have us retain physical custody of the disc. If customers elect to return their disc to us after viewing the purchased content, VidAngel offers a Repurchase Price for the disc. The Repurchase Prices paid by VidAngel are currently the Sales Price less \$1.00 per 24-hour period for each DVD, and \$2.00 per 24-hour period for each Blu-ray disc.

VidAngel separates its revenue transactions into two (2) groups. Those groups are defined by the length of total time of disc ownership. For clarity purposes, the groups are defined as "short-term ownership" and "long-term ownership." Currently, the majority of our transactions exist within the short-term ownership category. These customers currently account for 99.5% of all transactions through July 31, 2016. The remaining 0.50% of all transactions are from the long-term ownership category.

For transactions in the short-term ownership category, revenue is recognized on a daily basis for each 24-hour period a disc is owned. The amount of revenue recognized is equal to the Sales Price less the Repurchase Price and depends on the format of the disc. The average revenue per transaction through July 31, 2016 was \$1.54 for transactions in the short-term ownership category.

For transactions in the long-term ownership category, revenue is recognized using a subscription model, or ratably over the expected term/life of the customer. The average revenue per transaction through July 31, 2016 was \$18.49 per transaction in the long-term ownership category.

For our fiscal year ended December 31, 2015, we earned \$415,517 in revenue, of which \$383,288 is attributed to short-term owners, and \$32,229 is attributable to long-term owners.

For the six months ended June 30, 2016, we earned \$2,405,430 in revenue, of which \$2,334,658 is attributed to short-term owners, and \$70,772 is attributable to long-term owners.

Growth Opportunity

According to PricewaterhouseCoopers, transaction-based home video is the fastest-growing segment of the streaming market, and is projected to reach \$8.5 billion by 2019 (with a 2014-19 Compound Annual Growth Rate or CAGR of 25.6%)¹. Management believes that the market for filtered content is largely untapped, as opposition from content creators and agreements with distribution channels and partners make the process overly burdensome, and costly for the average consumer. In April 2005, the Family Entertainment and Copyright Act was signed into law and included provisions that exempted as a violation of copyright law "...the creation or provision of a computer program or other technology that enables...[the] making imperceptible [of limited portions of audio or video content of a motion picture,] and that is designed and marketed to be used, at the direction of a member of a private household...". In May 2016, VidAngel commissioned an independent third-party study by the NRG Research Group to determine the percentage of American consumers who would be interested in or more likely to use a service similar to VidAngel's. The study estimated the size of the home entertainment audience at 140.2 million Americans, and indicates that 40% of such audience said they will "definitely" or "probably" use the service, with 19% indicating that they will "definitely" use the service.

¹ Pricewaterhouse Coopers Global Entertainment and Media Outlook 2015

Management believes that this study confirmed the existence of a significant market that is being underserved, and that VidAngel holds the unique advantage of being the only company that currently provides this market with the ability to view and remove content on the most popular devices and platforms available on the market today, such as cell phones, tablets, set top boxes (e.g. Apple TV, Roku Amazon Fire TV), and computers, and, in the future, gaming consoles and Smart TVs. VidAngel began privately testing its technology in December 2014 and launched publicly in August 2015. Since launching publicly in August of 2015 to the period ending June 30th, 2016, VidAngel has seen significant growth and user adoption, with transaction growth of over 2,600% and user growth of over 1,800%. Management believes that this growth is merely a small percentage of the potential market, and that as VidAngel continues to improve its technology, and releases new versions of our application to work on the devices and platforms used by consumers today, that its growth will continue at a high rate for the foreseeable future.

Growth Strategy

VidAngel employs a three pillar marketing strategy that includes digital acquisition, customer retention, and customer sharing:

Digital acquisition:

VidAngel uses highly targeted digital ads to attract customers, including:

- Marketing videos produced with innovative ad agency Harmon Brothers;
- Banner ads produced in-house;
- Targeted advertising on Facebook, YouTube, Roku, and soon other set-top box platforms; and
- Advertising with podcast and video channels

Customer activation and retention:

VidAngel continues to refine its customer acquisition funnel with rigorous A/B testing of customer emails, landing page layout, and design of various platforms. VidAngel also keeps its customers active by engaging through entertaining emails, social media posts, blog posts, customer service, and similar methods of outreach.

Customer sharing:

According to VidAngel customer surveys, roughly half the members of VidAngel's customer base were referred by friends. To capitalize on word of mouth advertising, VidAngel plans to continue incentivizing customers to share VidAngel with friends through the use of sharing incentives and gamification.

Operating Results

VidAngel operates on a fiscal year basis from January to December.

First six month of Fiscal Year 2016 (1/1/2016 – 6/30/2016)

In the first six months of 2016, we focused our efforts on growth. We started by adding new content to the library of titles available for purchase on our application in order to meet the demand of our existing customer base. We closed out fiscal year 2015 with approximately 1,500 titles available for purchase, and during the first six months of 2016 have added over 1,000 new titles. We continue to add new titles at an increasing rate, and plan to continue for the foreseeable future.

In conjunction with adding new titles, we have continued to advertise our service aggressively. In the first six months of 2016, we spent \$2,353,396 on advertising related to our service. The aggressive advertising campaign resulted in the addition of over 144,700 new VidAngel customers. Revenues generated from all customers during the first six months of 2016, were \$2,405,430, an increase of 3,600% from the first six months of 2015, or 578% of the total revenue from fiscal year 2015. We plan to maintain our aggressive spending on advertising, for the foreseeable future, in order to further stimulate the growth of our customer base.

VidAngel had a net loss of \$2,219,233 for the first six months of fiscal year 2016. This loss was largely related to the increased advertising spend to fuel user growth.

Fiscal Year 2015 (1/1/2015 – 12/31/2015)

In fiscal year 2015, we began early beta testing of a new version of our service. The new service removed many of the obstacles that limited the original version, and management believes it began to show promise immediately. Over the first eight months of fiscal year 2015, VidAngel refined and improved the technology of the new version, while allowing a limited number of users to preview the service, and assist in troubleshooting. The response from beta testers was promising and VidAngel generated revenues of \$126,877 from January 1, 2015 through August 31, 2015. In late August 2015, VidAngel opened access to the platform to the public, and began marketing the product aggressively. The use of the service increased dramatically and VidAngel generated revenues of \$288,640 from September 1, 2015, through December 31, 2015.

Following the release to the general public, we became aware that the architecture of the current technology would not support the growing user base, and we invested a significant amount of capital and resources into updating the architecture to handle a much larger user base, and that could scale up to meet increased demand.

VidAngel had a net loss of \$1,382,016 for the fiscal year ended December 31, 2015.

Fiscal Year 2014 (1/1/2014 - 12/31/2014)

In fiscal year 2014, VidAngel released the first version of its service that allowed customers to filter movies and videos available on YouTube and the Google Play Hollywood library. Initial customer signup response was strong, but the service suffered from technical limitations, no high definition content, limited support and an unstable customer experience. Actual usage was extremely low. Management began exploring alternative strategies and, after creating the current model, the service was ultimately terminated.

VidAngel had a net loss of \$777,916 for the fiscal year ended December 31, 2014.

Liquidity and Capital Resources

As of June 30, 2016, we had cash on hand of \$1,480,525. We also expect that the proceeds from this offering will improve our financial performance by providing additional capital necessary to advertise our service more aggressively and by enabling us to make our application usable on additional device platforms, thereby making access to our service simpler, and by enhancing our service by improving the technology for delivery to our customers. We have not identified any additional material internal or external sources of liquidity as of the date of this Offering Circular.

Short Term Liquidity

VidAngel has no short term liquidity requirements as of the date of this Offering Circular.

Long-Term Liquidity

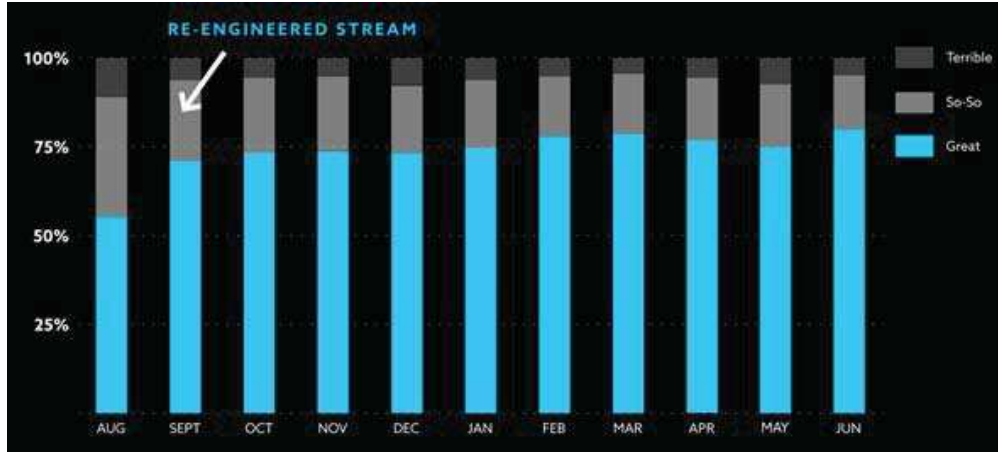
VidAngel has no long term liquidity requirements as of the date of this Offering Circular.

Trend Information

VidAngel experienced substantial monthly transaction growth since our public launch in August 2015. We processed and delivered 497,980 transactions for the month ended June 30, 2016, compared to 18,089 in August 2015, and have recognized over \$2.4M in revenue related to transactions for the first six (6) months of Fiscal Year 2016. The number of active users who purchased a disc in June 2016 was 110,251, compared with 5,770 when we launched to the public in August 2015, which represents growth of over 1800%.

Our customer's experience using our Apps, has improved significantly for every device on which our product is currently available. For example, out of 5 stars possible, our Apple app store rating has increased from 2.5 stars to 4.9 stars; our Google Play app has improved to 4.8 stars; our Roku app to 4.5 stars; our Kindle app to 4.4 stars; and our Amazon Fire TV app to 4.6 stars.

Customer satisfaction has consistently grown as we've improved our technology over time as seen in the chart below. The percentage of customers rating their experience with us as great has increased from just above 50 percent to over 80 percent. We are continuously testing and working on changes to our technology and content delivery network which management believes will further increase the performance of our product, and subsequently the customer satisfaction gains we have seen to date.



Source: This chart was generated from 139,435 responses to a VidAngel survey sent to customers upon completion of a purchase transaction.

DIRECTORS, EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES

Subject to our stockholders' rights to consent to certain transactions, the business and affairs of the Company are controlled by, and all powers are exercised by, our Board. Our Board shall consist of not fewer than three (3) nor more than five (5) directors, the exact number to be set from time to time by the Board. We currently have three directors: Neal Harmon, Paul Ahlstrom and Dalton Wright. Our Board shall be elected each year, at the annual meeting of stockholders, to hold office until the next annual meeting and until their successors are elected and qualified. Any newly created directorships resulting from an increase in the authorized number of directors and any vacancies occurring in our Board, may be filled by the affirmative vote of a majority of the remaining directors. A director may resign at any time, and the stockholders may remove any director or the entire Board at any time, with or without cause, by the affirmative vote of a majority of stockholders voting in such decision.

Our Board has retained our executive officers to manage our day-to-day operations, our library of movies, our intellectual property and other investments, subject to the supervision of our Board. Neal Harmon is currently our Chief Executive Officer, Patrick Reilly is currently our Director of Finance, Elizabeth Ellis is currently our Chief Operating Officer and Jeffery Harmon is currently our Chief Marketing Officer. Our executive officers have accepted their appointment, or nomination to be appointed, on the basis of the compensation to be paid to them. See "**COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS – Remuneration of Executive Officers and Managers of Our Company**" for more information. Our executive officers will serve for such period as the Board determines, subject to the terms of any employment agreements we enter into with them, or their earlier death, resignation or removal. Our Board may remove our executive officers subject to the terms of any employment agreements we enter into with them. See "**COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS – Employment Agreements**" for more information.

The individuals listed below are our executive officers and directors. The following table and biographical descriptions set forth certain information with respect to the individuals who currently serve as our directors and executive officers:

Name	Position	Age	Term of Office	Hours/Year (for part-time employees)
Neal Harmon*	Chief Executive Officer, Director	38	October 2013	n/a
Jeffery Harmon*	Chief Marketing Officer	33	October 2013	n/a
Elizabeth Ellis	Chief Operating Officer	39	June 2015	n/a
Patrick Reilly	Director of Finance	35	January 2014	n/a
David Quinto	General Counsel	61	August 2016	n/a
Paul Ahlstrom	Director	53	February 2014	n/a
Dalton Wright	Director	36	February 2014	n/a

*Neal Harmon and Jeffery Harmon are brothers.

Biographical Information

Biographical information regarding our directors and executive officers is set forth below.

Neal Harmon, Chief Executive Officer, Director. Neal has served as VidAngel, Inc.'s Chief Executive Officer since he helped co-found the company in 2013. Neal is a member of Harmon Ventures LLC, a Utah limited liability company, the Company's largest stockholder. He also is a managing member of Harmon Brothers, LLC, a marketing agency he co-founded with his brothers. Neal worked for Orabrush, Inc. from 2009 to 2013, a company he co-founded, where he served in such capacities as Chief Operating Officer and as a member of the board. Since 2005, Neal has also worked for the Neal S Harmon Company, a Utah corporation, as a consultant, entrepreneur and investor, engaging in such activities such as designing and creating a trucking logistics dashboard to connect shippers and private fleets, among web-based and other projects. Neal received his received his master's degree from Brigham Young University in Instructional Psychology and Technology in 2002, and his undergraduate degree from Brigham Young University in American Studies in 2001.

Jeffery Harmon, Chief Marketing Officer. Jeffery is a co-founder and Chief Marketing Officer of VidAngel, Inc. He is currently a managing-member of Harmon Brothers, LLC, a Utah limited liability company, which is an online-focused advertising and marketing company. Jeffery co-founded Orabrush, Inc. in 2009 and served as its CEO from 2009-2010. He continued to serve as Chief Marketing Officer and Co-Founder of Orabrush from 2010 to 2013. He is currently active with other start-up companies and concepts. He attended Brigham Young University from 2006 to 2008, where he studied business marketing, tradition marketing, internet marketing and business administration.

Elizabeth Ellis, Chief Operating Officer. Liz has served as Chief Operating Officer at VidAngel, Inc. since 2016, where her duties include overseeing all operating procedures and staffing. From 2009 until she started her tenure at VidAngel, Inc., Liz was the Director of Human Relations and Office Manager at Orabrush, Inc., where she oversaw personnel and was responsible for various operational tasks. Liz holds a B.S. from Brigham Young University.

Patrick Reilly, Director of Finance. Patrick began providing consulting services to VidAngel, Inc. in March 2014, and joined as the Director of Finance in February 2016. Patrick oversees all accounting and finance duties, including but not limited to budgeting, forecasting, auditing, financial statement preparation and funding at VidAngel, Inc. Patrick served as Financial Controller at Moki Mobility, Inc. a computer software company, from 2013 to February 2016, where he was responsible for finance and accounting duties. From 2009 to 2013, Patrick was the Vice President of Finance and Financial Controller at Allegiance, Inc., where he was responsible for all finance and accounting duties of the company. Patrick graduated from Utah Valley University in 2005 with a B.S. in Business Administration with concentrations in finance and banking.

David Quinto, General Counsel. David joined VidAngel, Inc. as our General Counsel in August 2016. David was a co-founder and partner at Quinn Emanuel Urquhart & Sullivan LLP from 1987 through 2014, and along with Phyllis Kupferstein, founded Kupferstein Manuel & Quinto, LLP in 2014. From 2015 through 2016, David was a partner with the international, full service firm Davis Wright Tremaine LLP. He has represented numerous "Fortune 500" companies, including Avery Dennison, Lockheed Martin, Samsung, Louis Vuitton, Mattel, Johnson Controls, Hilton Hotels, Grendene S.A., and Sae-A Trading Co. Ltd., as well as the Academy of Motion Picture Arts and Sciences, the Academy of Television Arts and Sciences, the Producers Guild of America, and the America's Cup Organizing Committee. David has expertise in trade secret, trademark, trade dress, copyright, unfair competition and complex business disputes. He published a treatise that analyzed the application of tort law to the Internet titled "*Law of Internet Disputes*," published by Aspen Law and business and he co-authors a practitioners guide to trade secret protection and litigation nationally, published by LexisNexis (4th ed. 2016). David graduated with his J.D. from the Harvard Law School in 1982, and received his B.A. from Amherst College in 1977.

Paul Ahlstrom, Director. Paul joined VidAngel as our director in 2014. Paul has served as Managing Director of Alta Ventures Mexico Fund I, LP since 2010, where his responsibilities include all aspects of investor relations, evaluating a business's products or services for potential investment opportunity, creating deal flow, negotiating the terms and conditions in each of the company's financing, serving as a board member of portfolio companies, and preparing financial statements and financial analysis. Over his career, Paul has directly participated in more than 125 venture capital investments and previously represented vSpring Capital on the boards of Ancestry.com, which was sold in 2007 to a private equity firm and went public in 2009 (NASDAQ:ACOM), Senforce, which was sold to Novell (NASDAQ:NOVL), and Altiris (NASDAQ:ATRS), which went public and was then sold to Symantec. (NASDAQ:SYMC), GlobalSim and Aeroprise. Mr. Ahlstrom has also served as an advisor and board to many successful venture-backed startups including Rhomobile sold to Motorola, SpaceMonkey, SendMi, Convert.com and Jott. Paul is the author of popular startup book *Nail It Then Scale It*, and received his B.A. in Communications from Brigham Young University.

Dalton Wright, Director. Dalton joined VidAngel, Inc. as our director in 2014. Dalton has been a partner at Kickstart Seed Fund, L.P. since 2013, a seed-stage investment fund that develops close relationships with universities, angel groups and entrepreneurs to launch high-growth start-ups in both Utah and the Mountain West. Dalton serves as a director of numerous other corporate boards. From 2009 to 2012, Dalton was Senior Associate and Founding Team Member at Alta Mexico Ventures, a seed, venture and growth capital fund targeting high growth companies in Mexico. Dalton graduated from the Wharton Business School at the University of Pennsylvania with his M.B.A. in 2014, and holds a B.A. in finance from the University of Utah.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Messrs. Harmon, Ms. Ellis, Mr. Reilly and Mr. Quinto receive compensation for acting in their capacities as our executive officers. We reimburse Messrs. Ahlstrom and Wright for their expenses incurred in acting in their capacity as a director. See – *Remuneration of Executive Officers and Directors of the Company*” below for more detailed information.

Remuneration of Executive Officers and Directors of the Company

Set forth below is a table of remuneration that our executive officers and directors received for our fiscal year ended December 31, 2015.

Name	Capacity in which Compensation Was Received	Cash Compensation (\$)	Other Compensation (\$)	Total Compensation (\$)
Neal Harmon	CEO	\$100,000	n/a	\$100,000
Elizabeth Ellis	COO	\$100,000	Indeterminate(1)	\$100,000
Jeffery Harmon	Director of Marketing	\$100,000	n/a	\$100,000
Paul Ahlstrom	Director	n/a	n/a	\$n/a
Dalton Wright	Director	n/a	n/a	\$n/a

(1) On July 17, 2015, Ms. Elizabeth Ellis was granted stock incentive options exercisable for 50,000 shares of VidAngel’s Class A Common Stock with an option price of \$0.50 per share and on August 10, 2016, Ms. Ellis was granted stock incentive options exercisable for 28,000 shares of VidAngel’s Class A Common Stock with an option price of \$0.82 per share, both pursuant to the terms and conditions of our Stock Incentive Plan. These options will vest in substantially equal annual increments over a four-year period.

Employment Agreements

We have recently entered into an employment agreement with Mr. David Quinto with respect to his position as our General Counsel. Mr. Quinto’s employment begins on August 1, 2016, has no specified term, and will require him to devote his time and attention during normal business hours to the business and affairs of the Company and the Company’s affiliates. By entering this agreement with Mr. Quinto, we have attempted to ensure Mr. Quinto is available to defend VidAngel in the Disney Litigation through the court of appeals and all the way to the Supreme Court, if necessary.

Mr. Quinto's employment agreement provides for an initial base salary of \$350,000, payable semi-monthly, which will thereafter be subject to potential annual increases based on his performance after review by our Board which must approve any salary increase. Mr. Quinto has also been granted an option exercisable for 219,792 shares of Class A Common Stock.

If Mr. Quinto's employment is terminated by us without "cause," or by him for "good reason," within 12 months of a "change of control" (each as defined in the applicable employment agreement), Mr. Quinto will be entitled to receive accelerated vesting of 100% of his option.

If Mr. Quinto's employment is terminated by us without "cause" or by the executive for "good reason" prior to July 31, 2021, and provided the Company is conducting business in the United States substantially unimpaired by any injunction, Mr. Quinto will be entitled to receive severance pay in the form of the continued payment of his base salary, at the rate in effect as of the date of termination and in accordance with the Company's customary payroll practices, until July 31, 2021. If the Company's business operations in the United States are substantially impaired such that the Company cannot operate profitably, Mr. Quinto will be permitted to draw down on a cash collateral account established by VidAngel to secure payment of Mr. Quinto's cash compensation to ensure he can continue his defense of VidAngel in the Disney Litigation. Mr. Quinto's right to receive the severance pay will be subject to the delivery of a release of claims in favor of the Company.

Mr. Quinto's employment agreement also required him to enter into a Proprietary Information, Invention Assignment, Non-Competition and Arbitration Agreement with the Company.

Stock Incentive Plan

In an effort to further the long-term stability and financial success of the Company by attracting and retaining personnel, including employees, directors and consultants for the Company, the Company adopted its 2014 Stock Incentive Plan, or our Stock Incentive Plan, in February 2014. There are 2,534,544 shares of Class A Common Stock in VidAngel authorized for issuance through our Stock Incentive Plan. As of the date of this Offering Circular, options exercisable for 1,022,811 shares of our Class A Common Stock have been granted under our Stock Incentive Plan, and of those options granted, options exercisable for 5,000 shares of Class A Common Stock in VidAngel have been exercised. Through the use of stock incentives, the Stock Incentive Plan will stimulate the efforts of those persons upon whose judgment, interest and efforts the Company is and will be largely dependent for the successful conduct of its business and will further the identification of those persons' interests with the interests of the Company's stockholders.

The Stock Incentive Plan is administered by our Board. The board has the power and sole discretion to grant or award a stock incentive, or an Award, to any employee of, director of, or consultant to the Company, each a Participant, who, in the sole judgment of our Board, has contributed, or can be expected to contribute, to the profits or growth of the Company. Our Board also has the power and sole discretion to determine the size, terms, conditions and nature of each Award to achieve the objectives of the Award and the Stock Incentive Plan. This includes, without limitation, the Board' ability to determine: (i) which eligible persons shall receive an Award and the nature of the Award, (ii) the number of securities to be covered by each Award, (iii) the fair market value of such securities, (iv) the time or times when an Award shall be granted, (v) whether an award shall become vested over a period of time, according to a performance-based or other vesting schedule or otherwise, and when it shall be fully vested, (vi) the terms and conditions under which restrictions imposed upon an Award shall lapse, (vii) whether a change of control exists, (viii) factors relevant to the satisfaction, termination or lapse of restrictions on certain Awards, (ix) when certain Awards may be exercised, (x) whether to approve a Participant's election with respect to applicable withholding taxes, (xi) conditions relating to the length of time before disposition of securities received in connection with an Award is permitted, (xii) notice provisions relating to the sale of securities acquired under the Stock Incentive Plan, and (xiii) any additional requirements relating to Awards that the Board deems appropriate.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN SECURITYHOLDERS

The Company has: 25,000,000 shares of common stock par value \$0.001 per share, authorized, of which 21,250,000 shares have been designated as Class A voting common stock, or the Class A Common Stock, and 3,750,000 have been designated as Class B Common Stock. As of the date of this Offering Circular, we have 18,008,908 shares of Class A Common Stock issued and outstanding.

Capitalization

As of the date of this Offering Circular, Harmon Ventures, LLC, or Harmon Ventures, owned indirectly by our CEO, Mr. Harmon, and his two brothers, Jeffrey Harmon and Daniel Harmon, owns 8,938,520 shares of our common stock. Alta Ventures Mexico Fund I, LLC, or Alta Ventures Mexico Fund I, owns 3,160,318 shares of our common stock. Osborne Companies, LC, or Osborne Companies, owns 2,222,733 shares of common stock. Various unaffiliated investors own the remaining shares of common stock.

The following table sets forth those executive officers, directors and other security holders holding 10% or a greater percentage of any class of shares, as of the date of this Offering Circular.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Amount and Nature of Beneficial Ownership Acquirable	Percent of Class
Class A Common Stock	Harmon Ventures, LLC 1154 Holly Cir Provo, UT 84604	8,938,520 shares	N/A	49.63%
Class A Common Stock	Alta Ventures Mexico Fund I, LLC 3315 Mayflower Avenue, Suite #1 Lehi, U T 84043	3,160,318 shares	N/A	17.55%
Class A Common Stock	Osborne Companies, LC 4290 North Vintage Circle Provo, UT 84604	2,222,733 shares	Options exercisable for 66,000 shares of Class A Common Stock	12.33%

Upon closing of the Minimum Offering, Harmon Ventures will own approximately 46.41% of our total outstanding shares of capital stock, Alta Ventures Mexico Fund I will own approximately 16.41% of our total outstanding shares of capital stock, and Osborne Companies, LC will own approximately 11.54% of our total outstanding shares of capital stock. Upon closing of the Maximum Offering, Harmon Ventures will own 41.08% of our total outstanding shares of capital stock, Alta Ventures Mexico Fund I will own 14.52% of our total outstanding shares of capital stock, and Osborne Companies, LC will own 10.22% of our total outstanding shares of capital stock. See **"COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS – Stock Incentive Plan"** above.

Our Board may, from time to time, also cause shares of capital stock to be issued to directors, officers, employees or consultants of our Company or its affiliates as equity incentive compensation under our Stock Incentive Plan, which shares will have all benefits, rights and preferences as our Board may designate as applicable to such shares.

INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS AND OTHER CONFLICTS OF INTEREST**Affiliated Transactions***Promotion and Marketing Services Agreement with Harmon Brothers LLC.*

VidAngel entered a "Promotion and Marketing Services Agreement" or the HB Marketing Agreement, with Harmon Brothers LLC, or HB. HB is owned by Neal Harmon, Jeffrey Harmon, and Daniel Harmon. HB is in the business of providing internet-based and multi-media promotion and marketing services, including the design, implementation and execution of promotional and web-based advertising campaigns. HB's services to the Company are divided into two categories: creative and production services and optimization and distribution services. For creative and production services, HB invoices the Company at cost according to each employee or consultant's personal hourly, billable rate. VidAngel also pays all of HB's expenses incurred in producing promotional and web-based advertising, including without limitation, props, food and catering onset, facility rentals, travel, equipment rentals, and other costs of production. For optimization and distribution services, VidAngel pays HB a percentage-based fee for the management of third-party adspend (Adwords, Facebook, etc.) which drives traffic to the content produced, co-produced or otherwise created by HB, for VidAngel. The percentage-based management fee continues for the life of the content. In exchange for the promotion and advertising services from HB, including third-party adspend billed at cost, VidAngel paid \$0 to HB in 2014, \$344,739 to HB in 2015, and \$2,166,989 to HB through June 30, 2016.

Employment Agreement with our General Counsel, David Quinto

We have recently entered into an employment agreement with Mr. David Quinto with respect to his position as our General Counsel. Mr. Quinto's employment began on August 1, 2016, has a five year term, and will require him to devote his time and attention during normal business hours to the business and affairs of the Company and the Company's affiliates.

Mr. Quinto's employment agreement provides for an initial base salary of \$350,000, payable semi-monthly, which will thereafter be subject to potential annual increases based on his performance after review by our Board which must approve any salary increase.

Investor Rights and Voting Agreement

The Company entered into an Investor Rights and Voting Agreement, or Investor Agreement, dated February 27, 2014 with certain of VidAngel's investors, including Alta Ventures Mexico Fund I, the manager of which is Paul Ahlstrom, one of our directors. The Investor Agreement requires us to provide certain information and inspection rights, provides for confidentiality, and requires the parties to this agreement to vote their respective shares of common stock in a manner which maintain the number of directors on our Board at no more than five and to elect as a director an individual designated by Alta Ventures Mexico Fund I for so long as it owns at least 1,000,000 shares of our common stock.

The Company is permitted to enter into transactions with, including making loans to and loan guarantees on behalf of, our directors, executive officers and their affiliates; so long as the person or persons approving the transaction on behalf of the Company acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Company. We do not have any outstanding loans or loan guarantees with any related party, and, as of the date of this Offering Circular, we do not have any intentions to enter into any such transactions.

SECURITIES BEING OFFERED

General

The Company is offering a minimum of 1,666,667 and a maximum of 3,750,000 of our Class B Common Stock at a price of \$3.00 per share (\$5,000,000 and \$11,250,000, respectively). The minimum subscription is fifty (50) Offered Shares (\$150); however, we can waive the minimum subscription on a case to case basis in our sole discretion. The Offered Shares are common equity and are not entitled to any preferences regarding distributions. *See* “–Distributions.”

This offering will terminate on the Termination Date, provided that if we have received and accepted subscriptions for the Maximum Offering on or before the Termination Date, then this offering will terminate when all Offered Shares have been sold, whichever occurs first. If, at the Initial Closing, we have sold less than the Maximum Offering, we will hold Additional Closings, up to the Maximum Offering, through the Termination Date. Purchases of Shares in excess of \$5,000 must be transmitted by investors directly by either wire transfer or electronic funds transfer via ACH to the escrow account maintained by Issuer Direct. Purchases of Shares in the amount of \$5,000 or less may be submitted through an investor's VidAngel customer account in accordance with the billing information for such investor at www.vidangel.com, and will not be held in a non-interest bearing escrow account by Issuer Direct, but will be held in a separate non-interest bearing account held by VidAngel. Upon each closing, the proceeds collected for such closing will be disbursed to the Company and the Offered Shares for such closing will be issued to investors. If a closing does not occur for any reason, the proceeds for such closing will be promptly returned to investors, generally without interest (within one business day) and without deduction.

The Company and stockholders are governed by our Certificate and Bylaws. *See* “– Description of Certificate of Incorporation and Bylaws” below for a detailed summary of terms of our Certificate and Bylaws. Our Certificate and Bylaws are filed as an exhibit to the Offering Statement of which this Offering Circular is a part. The Company has: 25,000,000 shares of common stock, par value \$0.001, authorized, of which 21,250,000 shares have been designated as Class A Common Stock, and 3,750,000 have been designated as Class B Common Stock. Our Board has the right to create, authorize and issue new shares in the Company, including new classes, provided that it may not authorize or issue shares senior to the rights and preferences of our common stock without the consent of the common stockholders holding a majority of the outstanding shares of each class of common stock.

Registrar, Paying Agent and Transfer Agent for our Offered Shares

Duties

Issuer Direct Corporation will serve as the registrar and transfer agent for our Offered Shares. We will pay all fees charged by the transfer agent for transfers of our Offered Shares except for special charges for services requested by a Class B Common Stockholder.

There will be no charge to our Class B Common Stockholders for disbursements of our cash dividends, if any, although we do not anticipate issuing dividends for the foreseeable future. We will indemnify the transfer agent, its agents and each of their respective stockholders, directors, officers and employees against all claims and losses that may arise out of acts performed or omitted for its activities in that capacity, except for any liability due to any gross negligence or intentional misconduct of the indemnified person or entity.

Resignation or Removal

The transfer agent may resign, by notice to us, or be removed by us. The resignation or removal of the transfer agent will become effective upon our appointment of a successor transfer agent and registrar and its acceptance of the appointment. If no successor has been appointed and has accepted the appointment within 30 days after notice of the resignation or removal, our Board, or a designee of our Board, may act as the transfer agent and registrar until a successor is appointed.

Dividends

No dividends to investors in our Offered Shares are assured, nor are any returns on, or of, an investor's investment guaranteed. Dividends are subject to our ability to generate positive cash flow from operations. All dividends are further subject to the discretion of our Board. It is possible that we may have cash available for dividends, however, we anticipate retaining all of our earnings for the future operation of the Company and do not anticipate making any cash distributions in the foreseeable future.

Our Board, in its sole discretion, may determine from time to time to declare and pay dividends out of any funds legally available therefore. The Company has never declared or paid cash dividends on its capital stock. The Company currently intends to retain any future earnings to finance the growth and development of its business and therefore does not anticipate paying any cash dividends for the foreseeable future.

Liquidating Preferences

Upon the dissolution and liquidation of the Company, no stockholder will receive a preference in the distribution of liquidation proceeds. Liquidating distributions will be shared *pari passu* among our common stock.

Basis for Dividends

The Company's ability, and our Board's decisions, to issue dividends to our stockholders will be based upon the operating results of the Company. Our Board has discretion over whether to declare and pay dividends to our stockholders, however, we do not anticipate issuing any dividends for the foreseeable future.

Description of Certificate of Incorporation and Bylaws

The Company is governed by our certificate of incorporation, or our Certificate, and our bylaws, or our Bylaws. The following summary describes material provisions of our Certificate and our Bylaws, but it is not a complete description of our Certificate, our Bylaws or any combination of the two. A copy of our Certificate and our Bylaws are filed as exhibits to the Offering Statement of which this Offering Circular is a part.

Board of Directors

Subject to our stockholders' rights to consent to certain transactions as provided under the Delaware General Corporate Law, or DGCL, the business and affairs of the Company are controlled by, and all powers are exercised by, our board of directors, or our Board. Our Board is required to consist of not less than three (3) nor more than five (5) directors, the exact number to be set from time to time by the Board. Our Board is comprised of Paul Ahlstrom, Neal Harmon and Dalton Wright. Our Board is elected each year at the annual meeting of stockholders, to hold office until the next annual meeting and until their successors are elected and qualified. Any newly created directorships resulting from an increase in the authorized number of directors and any vacancies occurring in our Board may be filled by the affirmative vote of the remaining directors. A director may resign at any time, and the stockholders may remove a director at any time, with or without cause, by the affirmative vote of a majority of stockholders voting in such decision.

The DGCL provides that stockholders of a Delaware corporation are not entitled to the right to cumulate votes in the election of directors unless its certificate of incorporation provides otherwise. Our Certificate does not provide for cumulative voting.

Our Board may designate one or more committees. Such committees must consist of one or more directors. Any such committee, to the extent permitted by applicable law, will have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Company.

Officers

The Board has the authority to select the officers of the Company. The officers consist of a Chairman of the Board, a Chief Executive Officer, or CEO, a Secretary and a Treasurer. In addition, the Board may elect one or more Vice Chairmen, President, Chief Financial Officer and Vice Presidents, and such other offices as the Board may determine. Two or more of the aforementioned offices may be held by the same person. Our officers are: (i) Neal Harmon, CEO; (ii) Jeffrey Harmon, Chief Marketing Officer; (iii) Elizabeth Ellis, Chief Operating Officer, or COO; (iv) Patrick Reilly, Director of Finance and Secretary; and (v) David Quinto, General Counsel.

At the first meeting of the Board following the annual meeting of stockholders, the Board appoints the officers, however, the Board may also empower the CEO to appoint subordinate officers and agents for us. Each officer so elected holds office until such officer's successor is elected and qualified or until the officer's earlier resignation or removal. Each officer is required to perform such duties as are provided in the Bylaws or as the Board may from time to time determine. Subject to the rights, if any, of an officer under any employment agreement, any officer may be removed, with or without cause, by the affirmative vote of a majority of the Board. An officer may resign at any time on giving notice to the Board. Our CEO is in charge of the general affairs of the Company, subject to the oversight of the Board. In case any officer is absent, or for any other reason the Board may deem sufficient, the CEO or the Board may delegate the powers and duties of such officer to any other officer or to any director.

Fiduciary Duties and Indemnification

The Company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, or Proceeding (other than an action by or in the right of the Company), by reason of the fact that he is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against all liability and loss suffered and expenses reasonably incurred by such person in connection with any such Proceeding. The Company shall be required to indemnify a person in connection with a Proceeding initiated by such person only if the Proceeding was authorized by the Board.

Company Stock

The Company may issue up to 25,000,000 shares of capital stock, of which 25,000,000 shares will be common stock, par value \$0.001 per share of which 21,250,000 shares have been designated as Class A Common Stock, and 3,750,000 have been designated as Class B Common Stock.

Stockholder Rights

Voting

Class B Common Stockholders will not be entitled to vote other than as required by law. Only holders of Class A Common Stock are entitled to one vote for each share of Class A Common Stock held of record on all matters on which the holders of shares of Class A Common Stock are entitled to vote.

Meetings

The annual meeting of the stockholders shall be held at such date, time and place, if any, as shall be determined by the Board and stated in the notice of the meeting. Special meetings of the stockholders shall be called pursuant to resolution approved by the Board, chairperson of our Board, the Chief Executive Officer or President (in the absence of a Chief Executive Officer) or by Class A Common Stockholders holding shares of Class A Common Stock in the aggregate entitled to cast votes not less than ten (10%) percent of the votes at that meeting. The only business which may be conducted at a special meeting shall be the matter or matters set forth in the notice of such meeting.

Dividends and Liquidations

Upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, a Liquidation Event, the assets and funds of the Corporation available for distribution to its stockholders, if any, shall be distributed common stockholders, pro rata, then outstanding.

Amendment

Class A Common Stockholders may amend, alter or repeal our Certificate and our Bylaws.

Description of our Stockholders Agreement

Our Class B Common Stock is governed by our Stockholders Agreement. The following summary describes material provisions of our Stockholders Agreement, but it is not a complete description of our Stockholders Agreement. A copy of our Stockholders Agreement is filed as an exhibit to the Offering Statement of which this Offering Circular is a part.

Transfer restrictions.

Investors in our Class B Common Stock will be subject to the restrictions on transfer set forth in our Stockholders Agreement. Under the terms of our Stockholders Agreement, transfer of shares of our Class B Common Stock will be subject to a right of first refusal exercisable first by the Company, second, by our Class A Common Stockholders, and, third, by our remaining Class B Common Stockholders pursuant to the Stockholders Agreement. Prior to any transfer or proposed transfer of shares, the transferring shareholder, or the Seller, is required to give written notice to us and to the remaining stockholders of such proposed transfer. The certificates for our Class B Common Stock will be legended to reflect these restrictions.

Restrictions Imposed by the USA PATRIOT Act and Related Acts

In accordance with the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the USA PATRIOT Act, the securities offered hereby may not be offered, sold, transferred or delivered, directly or indirectly, to any "unacceptable investor," which means anyone who is:

- a "designated national," "specially designated national," "specially designated terrorist," "specially designated global terrorist," "foreign terrorist organization," or "blocked person" within the definitions set forth in the Foreign Assets Control Regulations of the United States, or U.S., Treasury Department;
 - acting on behalf of, or an entity owned or controlled by, any government against whom the U.S. maintains economic sanctions or embargoes under the Regulations of the U.S. Treasury Department;
 - within the scope of Executive Order 13224 — Blocking Property and Prohibiting Transactions with Persons who Commit, Threaten to Commit, or Support Terrorism, effective September 24, 2001;
- a person or entity subject to additional restrictions imposed by any of the following statutes or regulations and executive orders issued thereunder: the Trading with the Enemy Act, the National Emergencies Act, the Antiterrorism and Effective Death Penalty Act of 1996, the International Emergency Economic Powers Act, the United Nations Participation Act, the International Security and Development Cooperation Act, the Nuclear Proliferation Prevention Act of 1994, the Foreign Narcotics Kingpin Designation Act, the Iran and Libya Sanctions Act of 1996, the Cuban Democracy Act, the Cuban Liberty and Democratic Solidarity Act and the Foreign Operations, Export Financing and Related Programs Appropriations Act or any other law of similar import as to any non-U.S. country, as each such act or law has been or may be amended, adjusted, modified or reviewed from time to time; or
- designated or blocked, associated or involved in terrorism, or subject to restrictions under laws, regulations, or executive orders as may apply in the future similar to those set forth above.

ERISA CONSIDERATIONS

An investment in us by an employee benefit plan is subject to additional considerations because the investments of these plans are subject to the fiduciary responsibility and prohibited transaction provisions of ERISA and restrictions imposed by Section 4975 of the Code. For these purposes the term “employee benefit plan” includes, but is not limited to, qualified pension, profit-sharing and stock bonus plans, Keogh plans, simplified employee pension plans and tax deferred annuities or IRAs established or maintained by an employer or employee organization. Among other things, consideration should be given to:

- whether the investment is prudent under Section 404(a)(1)(B) of ERISA;
- whether in making the investment, that plan will satisfy the diversification requirements of Section 404(a)(1)(C) of ERISA; and
- whether the investment will result in recognition of unrelated business taxable income by the plan and, if so, the potential after-tax investment returns.

The person with investment discretion with respect to the assets of an employee benefit plan, often called a fiduciary, should determine whether an investment in us is authorized by the appropriate governing instrument and is a proper investment for the plan.

Section 406 of ERISA and Section 4975 of the Code prohibit employee benefit plans from engaging in specified transactions involving “plan assets” with parties that are “parties in interest” under ERISA or “disqualified persons” under the Code with respect to the plan.

In addition to considering whether the purchase of Offered Shares is a prohibited transaction, a fiduciary of an employee benefit plan should consider whether the plan will, by investing in us, be deemed to own an undivided interest in our assets, with the result that our operations would be subject to the regulatory restrictions of ERISA, including its prohibited transaction rules, as well as the prohibited transaction rules of the Code.

The Department of Labor regulations provide guidance with respect to whether the assets of an entity in which employee benefit plans acquire equity interests would be deemed “plan assets” under some circumstances. Under these regulations, an entity’s assets would not be considered to be “plan assets” if, among other things:

- (1) the equity interests acquired by employee benefit plans are publicly offered securities - i.e., the equity interests are widely held by 100 or more investors independent of the issuer and each other, freely transferable and registered under some provisions of the federal securities laws;
- (2) the entity is an “operating company”—i.e., it is primarily engaged in the production or sale of a product or service other than the investment of capital either directly or through a majority-owned subsidiary or subsidiaries; or
- (3) there is no significant investment by benefit plan investors, which is defined to mean that less than 25% of the value of each class of equity interest is held by the employee benefit plans referred to above.

We do not intend to limit investment by benefit plan investors in us because we anticipate that we will qualify as an “operating company”. If the Department of Labor were to take the position that we are not an operating company and we had significant investment by benefit plans, then we may become subject to the regulatory restrictions of ERISA which would likely have a material adverse effect on our business and the value of our common stock.

Plan fiduciaries contemplating a purchase of Offered Shares should consult with their own counsel regarding the consequences under ERISA and the Code in light of the serious penalties imposed on persons who engage in prohibited transactions or other violations.

ACCEPTANCE OF SUBSCRIPTIONS ON BEHALF OF PLANS IS IN NO RESPECT A REPRESENTATION BY OUR BOARD OR ANY OTHER PARTY RELATED TO US THAT THIS INVESTMENT MEETS THE RELEVANT LEGAL REQUIREMENTS WITH RESPECT TO INVESTMENTS BY ANY PARTICULAR PLAN OR THAT THIS INVESTMENT IS APPROPRIATE FOR ANY PARTICULAR PLAN. THE PERSON WITH INVESTMENT DISCRETION SHOULD CONSULT WITH HIS OR HER ATTORNEY AND FINANCIAL ADVISERS AS TO THE PROPRIETY OF AN INVESTMENT IN US IN LIGHT OF THE CIRCUMSTANCES OF THE PARTICULAR PLAN.

REPORTS

We will furnish the following reports, statements, and tax information to each stockholder:

Reporting Requirements under Tier II of Regulation A. Following this Tier II, Regulation A offering, we will be required to comply with certain ongoing disclosure requirements under Rule 257 of Regulation A. We will be required to file: an annual report with the SEC on Form 1-K; a semi-annual report with the SEC on Form 1-SA; current reports with the SEC on Form 1-U; and a notice under cover of Form 1-Z. The necessity to file current reports will be triggered by certain corporate events, similar to the ongoing reporting obligation faced by issuers under the Exchange Act, however the requirement to file a Form 1-U is expected to be triggered by significantly fewer corporate events than that of the Form 8-K. Parts I & II of Form 1-Z will be filed by us if and when we decide to and are no longer obligated to file and provide annual reports pursuant to the requirements of Regulation A.

Annual Reports. As soon as practicable, but in no event later than one hundred twenty (120) days after the close of our fiscal year, ending December 31, our Board will cause to be mailed or made available, by any reasonable means, to each Stockholder as of a date selected by the Board, an annual report containing financial statements of the Company for such fiscal year, presented in accordance with GAAP, including a balance sheet and statements of operations, company equity and cash flows, with such statements having been audited by an accountant selected by the Board. The Board shall be deemed to have made a report available to each stockholder as required if it has either (i) filed such report with the SEC via its Electronic Data Gathering, Analysis and Retrieval, or EDGAR, system and such report is publicly available on such system or (ii) made such report available on any website maintained by the Company and available for viewing by the stockholders.

Tax Information. On or before June 30th of the year immediately following our fiscal year, which is currently January 1st through December 31st, we will send to each stockholder such tax information as shall be reasonably required for federal and state income tax reporting purposes.

Stock Certificates. We do not anticipate issuing stock certificates representing Offered Shares purchased in this offering to the Class B Common Stockholders. However, we are permitted to issue stock certificates and may do so at the request of our transfer agent. The number of Offered Shares held by each Class B Common Stockholder, will be maintained by us or our transfer agent in the Company register.

INDEPENDENT AUDITORS

The balance sheet of VidAngel as of the fiscal years ended December 31, 2015 and 2014, and the statements of operations, stockholders' equity and cash flows of VidAngel for each of the two years ended December 31, 2015 and 2014, have been included in this Offering Circular and have been audited by Tanner LLC, independent auditors, as stated in their report appearing herein.

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VidAngel, Inc.

Financial Statements as of December 31, 2015 and 2014 for the Years Then Ended

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VIDANGEL, INC.

Interim Financial Statements
As of And For the Six Months Ended June 30, 2016 and 2015

Notice to Reader

Our auditors have not reviewed the unaudited interim financial statements for the six months ended June 30, 2016 and 2015. These financial statements and the notes thereto have been prepared by the Company's management in accordance with accounting principles generally accepted in the United States of America using management's best judgments, consistent with prior periods, and should be read in conjunction with the audited financial statements for the years ended December 31, 2015 and 2014.

VIDANGEL, INC.
Balance Sheets

As of June 30, 2016 and December 31, 2015 (Unaudited)

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 1,480,525	\$ 1,910,880
Accounts receivable	689	11,868
Prepaid expenses and other	299,083	34,517
Total current assets	1,780,297	1,957,265
Movie inventory	886,253	206,887
Property and equipment, net	34,510	2,780
Total assets	<u>\$ 2,701,060</u>	<u>\$ 2,166,932</u>
<u>Liabilities and Stockholders' Equity (Deficit)</u>		
Current liabilities:		
Accounts payable	\$ 222,494	\$ -
Accrued expenses	35,789	86,530
Deferred revenue	3,248,449	669,341
Total current liabilities	3,506,732	755,871
Commitments and contingencies		
Stockholders' equity (deficit):		
Common stock, \$0.001 par value, 25,000,000 shares authorized; 18,008,908 and 18,003,908 shares issued and outstanding, respectively	18,009	18,004
Additional paid-in capital	3,510,568	3,508,073
Accumulated deficit	(4,334,249)	(2,115,016)
Total stockholders' equity (deficit)	(805,672)	1,411,061
Total liabilities and stockholders' equity (deficit)	<u>\$ 2,701,060</u>	<u>\$ 2,166,932</u>

See accompanying notes to financial statements.

VIDANGEL, INC.
Statements of Operations

	<u>June 30 ,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>
Revenues, net	\$ 2,405,430	\$ 64,291
Operating expenses:		
Cost of revenues	815,284	51,544
Selling and marketing	2,836,930	50,689
General and administrative	629,120	125,086
Research and development	<u>353,904</u>	<u>40,777</u>
Total operating expenses	<u>4,635,238</u>	<u>268,096</u>
Operating loss	<u>(2,229,808)</u>	<u>(203,805)</u>
Other income (expense):		
Interest income	10,602	-
Interest expense	(27)	-
Other expense, net	<u>-</u>	<u>(8,508)</u>
Total other expense, net	<u>10,575</u>	<u>(8,508)</u>
Loss before income taxes	<u>(2,219,233)</u>	<u>(212,313)</u>
Provision for income taxes	<u>-</u>	<u>-</u>
Net loss	<u>\$ (2,219,233)</u>	<u>\$ (212,313)</u>

See accompanying notes to financial statements.

VIDANGEL, INC.
Statements of Stockholders' Equity (Deficit)

For the Six Months Ended June 30, 2016 and the Year Ended December 31, 2015 (Unaudited)

	Members' Interest	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
		Shares	Amount			
Balance as of January 1, 2015	\$ -	13,411,257	\$ 13,411	\$ 584,766	\$ (733,000)	\$ (134,823)
Convertible notes payable and related accrued interest converted to common stock	-	3,526,896	3,527	1,915,933	-	1,919,460
Issuance of common stock, net of issuance costs of \$5,000	-	1,065,755	1,066	993,934	-	995,000
Stock-based compensation expense	-	-	-	12,098	-	12,098
Contingent beneficial conversion feature	-	-	-	1,342	-	1,342
Net loss	-	-	-	-	(1,382,016)	(1,382,016)
Balance as of December 31, 2015	-	18,003,908	18,004	3,508,073	(2,115,016)	1,411,061
Exercise of stock options	-	5,000	5	2,495	-	2,500
Net loss	-	-	-	-	(2,219,233)	(2,219,233)
Balance as of June 30, 2016	\$ -	<u>18,008,908</u>	<u>\$ 18,009</u>	<u>\$ 3,510,568</u>	<u>\$(4,334,249)</u>	<u>\$ (805,672)</u>

See accompanying notes to financial statements.

VIDANGEL, INC.
Statements of Cash Flows

For the Six Months Ended June 30, 2016 and 2015 (Unaudited)

	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>
Cash flows from operating activities:		
Net loss	\$ (2,219,233)	\$ (212,313)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,795	1,047
Decrease (increase) in:		
Accounts receivable	11,179	-
Prepaid expenses and other assets	(264,566)	7,131
Movie inventory	(679,366)	(31,736)
Increase (decrease) in:		
Accounts payable and accrued expenses	171,753	(25,091)
Deferred revenue	<u>2,579,108</u>	<u>92,474</u>
Net cash used in operating activities	<u>(395,330)</u>	<u>(168,488)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(37,525)</u>	-
Cash flows from financing activities:		
Proceeds from convertible notes payable	-	335,417
Exercise of stock options	<u>2,500</u>	-
Net cash provided by financing activities	<u>2,500</u>	<u>335,417</u>
Net change in cash and cash equivalents	(430,355)	166,928
Cash and cash equivalents at beginning of year	<u>1,910,880</u>	<u>172,216</u>
Cash and cash equivalents at end of period	<u>\$ 1,480,525</u>	<u>\$ 339,145</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 27	\$ -

See accompanying notes to financial statements.

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VIDANGEL, INC.
Notes to Financial Statements

For the Six Months Ended June 30, 2016 (Unaudited)

The interim financial information presented should be read in conjunction with the entity's latest annual audited financial statements.

- 1. Basis of Presentation** The accompanying financial statements have been prepared by the Company, without audit, and reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial reporting. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. It is the opinion of management that the financial statements reflect all adjustments which are necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. The results of operations for the six months ended June 30, 2016 are not necessarily indicative of the results expected for the entire fiscal year.
- 2. Description of Organization and Summary of Significant Accounting Policies**

Organization
VidAngel, Inc. (the Company) was incorporated on November 13, 2013 as a Utah limited liability Company. On February 7, 2014, the Company converted to a Delaware corporation. The Company resells Blu-Ray and DVD discs to its customers. The Company includes access to proprietary content filtering technology as part of the transaction. With the purchase of the disc, and access to the technology, the customer then has the ability to stream a customized version of the disc to their location for viewing on many of today's most popular devices. After they are finished with a disc, the customer has the option to sell the disc back to the Company at a reduced price. The sell-back price varies depending on the type (Blu-Ray or DVD) of the disc, and the number of days the customer owned the disc.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Key management estimates include the estimated life of the customer's ownership of a disc, valuation allowances for net deferred income tax assets, and valuation of stock-based compensation.

VIDANGEL, INC.**Notes to Financial Statements***Continued***For the Six Months Ended June 30, 2016 (Unaudited)****2. Description of Organization and Summary of Significant Accounting Policies Continued*****Cash and Cash Equivalents***

The Company considers all highly liquid investments with original maturities to the Company of three months or less to be cash equivalents. As of June 30, 2016 these cash equivalents consisted of money market accounts.

Movie Inventory

Movie inventory includes DVD and Blu-Ray discs purchased by the Company for resell, not in excess of realizable value. Movie inventory is recorded at the lower of cost or market, with cost being determined on a first in, first out method. The Company periodically reviews inventories for excess supply, obsolescence, and valuations above estimated realizable amounts, and provides a reserve to cover these items. Management determined that no allowance for obsolete inventory was necessary as of June 30, 2016.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the estimated economic useful lives of the assets or over the related lease terms (if shorter) as follows:

Office and computer equipment	3 years
Leasehold improvements	1 year

Expenditures that materially increase values or capacities or extend useful lives of property and equipment are capitalized. Routine maintenance, repairs, and renewal costs are expensed as incurred. Upon sale or other retirement of depreciable property, the cost and accumulated depreciation and amortization are removed from the related accounts and any gain or loss is reflected in the statement of operations.

Impairment of Long-Lived Assets

The Company reviews its property and equipment, and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may be impaired. If it is determined that the estimated undiscounted future cash flows are not sufficient to recover the carrying value of the asset, an impairment loss is recognized in the statements of operations for the difference between the carrying value and the fair value of the asset. Management does not consider any of the Company's assets to be impaired as of June 30, 2016.

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VIDANGEL, INC.**Notes to Financial Statements***Continued***For the Six Months Ended June 30, 2016 (Unaudited)****2. Description of
Organization
and Summary
of Significant
Accounting
Policies
*Continued******Revenue Recognition***

The Company resells Blu-Ray and DVD discs to its customers for a fixed price of \$20. Upon purchase of the disc, the customer agrees to have the Company retain physical custody of the purchased disc until such a time that the customer either requests to have the disc shipped to them directly, or the customer decides to sell the disc back to the Company at an agreed upon price, which reduces \$1 per day for DVD discs, and \$2 per day for Blu-Ray discs. During the time that the customer owns the disc, the Company gives the customer access to a patented video streaming technology that permits the customer to direct their individual viewing experience by allowing them to remove certain audio or video segments that contain material that may be considered objectionable by a member of the private household. Access to this technology is available during the entire period of which the customer owns the disc purchased from the Company, and is extinguished upon the customer selling the disc back to the Company. Revenue is recognized when all of the following criteria have been met: (1) persuasive evidence of an arrangement exists, (2) services have been rendered, (3) the Company's price to the buyer is fixed or determinable, and (4) collectability is reasonably assured.

The Company separates its revenue transactions into two pools based on length of time of disc ownership – short-term and long-term ownership of discs.

Transactions that have a short-term ownership of a disc exhibit a very short ownership time period, usually on average selling the disc back to the Company within 5 hours. For these transactions, the Company recognizes revenue on a daily basis, in an amount equal to the daily reduction in the sell-back price from the customer to the Company (\$1 or \$2 per day), and ceasing upon the customer's sell-back of the disc. Approximately 99.5% of the Company's transactions are short-term.

Transactions that have a long-term ownership exhibit a longer period of time of ownership – in excess of 20 days. A majority of the customers entering long-term transactions appear to be building a library of movie titles, and may own the associated discs indefinitely. The Company estimates the expected period of the long-term transactions, and recognizes revenue based on a subscription model, or ratably over the expected term. Cash received from customers prior to recognition of revenue is recorded as deferred revenue.

Advertising

Advertising costs are expensed as incurred. Advertising expenses totaled \$2,353,396 for the six months ended June 30, 2016.

VIDANGEL, INC.**Notes to Financial Statements***Continued***For the Six Months Ended June 30, 2016 (Unaudited)****3. Commitments
and
Contingencies*****Litigation***

The Company is involved in legal proceedings from time to time arising in the normal course of business. The Company has received, and may in the future continue to receive, claims from third parties. Management, after consultation with legal counsel, believes that the outcome of these proceedings may have a material impact on the Company's financial position, results of operations, or liquidity.

Current and future litigation may be necessary to defend the Company and its customers by determining the scope, enforceability, and validity of these claims. The results of any current or future complex litigation matters cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact because of defense and settlement costs, distraction of management resources, and other factors. Additionally, these matters may change in the future as the litigation and factual discovery unfolds. Legal fees are expensed as incurred. Insurance recoveries associated with legal costs incurred are recorded when they are deemed probable of recovery.

The Company assesses whether there is a reasonable possibility that a loss, or additional losses beyond those already accrued, may be incurred ("Material Loss"). If there is a reasonable possibility that a Material Loss may be incurred, the Company discloses an estimate or range of the amount of loss, either individually or in the aggregate, or discloses that an estimate of loss cannot be made. If a Material Loss occurs due to an unfavorable outcome in any legal matter, this may have an adverse effect on the financial position, results of operations, and liquidity of the Company. The Company records a provision for each liability when determined to be probable, and the amount of the loss may be reasonably estimated. These provisions are reviewed annually and adjusted as additional information becomes available.

The Company is involved in various litigation matters and believes that any reasonably possible adverse outcome of these matters could potentially be material, either individually or in the aggregate, to the Company's financial position, results of operations and liquidity. As of the date of the independent auditors' report management has determined an adverse outcome is not yet probable or estimable, and has not accrued any estimated losses related to these matters. Expectations may change in the future as the litigation and events related thereto unfold. For the six months ended June 30, 2016 the Company incurred \$99,950 in legal and litigation costs, which are included in general and administrative expenses in the accompanying statements of operations.

VIDANGEL, INC.**Notes to Financial Statements***Continued***For the Six Months Ended June 30, 2016 (Unaudited)**

4. **Related Party Transactions** The Company has a marketing services contract with an entity owned by one of the Company's stockholders. For the six months ended June 30, 2016, the Company incurred expenses of \$2,166,989, to the related party for marketing services.
5. **Subsequent Events**
- Litigation*
As described more fully in Note 3, the Company is subject to claims and litigation that arise in the normal course of business. Management reviews those claims and believes none of them meet the standard for accrual or disclosure. In August 2016, a motion for preliminary injunction was filed in District Court in attempt to stop the operations of the Company while the litigation is resolved. The initial complaint was filed in June 2016, and was brought against the Company for infringing on exclusive rights under the Copyright Act and for violating the Digital Millennium Copyright Act. The Company believes its legal position has merit, and is vigorously defending the matter. The potential loss associated with the lawsuit is not estimable and the probability of the loss is unknown.
- Employment Agreement*
On July 21, 2016, the Company hired an attorney as in-house general counsel. The associated employment agreement includes certain common stock option modifications, severance terms in certain circumstances, and the establishment of a cash collateral account.
-



VIDANGEL, INC.

**Financial Statements as of December 31, 2015 and 2014
and For the Years Then Ended**

Together with Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT**To the Board of Directors and Management of
VidAngel, Inc.**

We have audited the accompanying financial statements of VidAngel, Inc. (the Company), which comprise the balance sheets as of December 31, 2015 and 2014, the related statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VidAngel, Inc. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

/s/ Tanner LLC
Salt Lake City, Utah

July 29, 2016

VIDANGEL, INC.
Balance Sheets

As of December 31,

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ 1,910,880	\$ 172,216
Accounts receivable	11,868	-
Prepaid expenses and other	34,517	20,013
Total current assets	1,957,265	192,229
Movie inventory	206,887	6,234
Property and equipment, net	2,780	4,015
Total assets	\$ 2,166,932	\$ 202,478
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	\$ -	\$ 65,522
Accrued expenses	86,530	4,301
Deferred revenue	669,341	395
Convertible notes payable	-	267,083
Total current liabilities	755,871	337,301
Commitments and contingencies		
Stockholders' equity (deficit):		
Common stock, \$0.001 par value, 25,000,000 and 15,000,000 shares authorized, respectively; 18,003,908 and 13,411,257 shares issued and outstanding, respectively	18,004	13,411
Additional paid-in capital	3,508,073	584,766
Accumulated deficit	(2,115,016)	(733,000)
Total stockholders' equity (deficit)	1,411,061	(134,823)
Total liabilities and stockholders' equity (deficit)	\$ 2,166,932	\$ 202,478

See accompanying notes to financial statements.

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VIDANGEL, INC.
Statements of Operations

Years Ended December 31,

	<u>2015</u>	<u>2014</u>
Revenues, net	\$ 415,517	\$ 19,265
Operating expenses:		
Cost of revenues	256,831	93,232
Selling and marketing	699,773	210,167
General and administrative	468,396	452,407
Research and development	310,754	35,990
Total operating expenses	<u>1,735,754</u>	<u>791,796</u>
Operating loss	<u>(1,320,237)</u>	<u>(772,531)</u>
Other income (expense):		
Interest expense	(52,435)	(2,047)
Other expense, net	<u>(9,344)</u>	<u>(3,238)</u>
Total other expense, net	<u>(61,779)</u>	<u>(5,285)</u>
Loss before income taxes	<u>(1,382,016)</u>	<u>(777,816)</u>
Provision for income taxes	<u>-</u>	<u>(100)</u>
Net loss	<u>\$ (1,382,016)</u>	<u>\$ (777,916)</u>

See accompanying notes to financial statements.

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VIDANGEL, INC.
Statements of Stockholders' Equity

For the Years Ended December 31, 2015 and 2014

	Members' Interest	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
		Shares	Amount			
Balance as of January 1, 2014	\$ 26,343	-	\$ -	\$ -	\$ -	\$ 26,343
Net loss	(44,916)	-	-	-	(733,000)	(777,916)
Conversion from LLC to C-Corp	18,573	10,000,000	10,000	(28,573)	-	-
Issuance of common stock, net of issuance costs of \$3,000	-	3,411,257	3,311	593,689	-	597,000
Issuance of common stock for services	-	-	100	17,900	-	18,000
Stock- based compensation expense	-	-	-	1,750	-	1,750
Balance as of December 31, 2014	-	13,411,257	13,411	584,766	(733,000)	(134,823)
Convertible notes payable and related accrued interest converted to common stock	-	3,526,896	3,527	1,915,933	-	1,919,460
Issuance of common stock, net of issuance costs of \$5,000	-	1,065,755	1,066	993,934	-	995,000
Stock- based compensation expense	-	-	-	12,098	-	12,098
Contingent beneficial conversion feature	-	-	-	1,342	-	1,342
Net loss	-	-	-	-	(1,382,016)	(1,382,016)
Balance as of December 31, 2015	\$ -	18,003,908	18,004	3,508,073	(2,115,016)	1,411,061

See accompanying notes to financial statements.

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VIDANGEL, INC.
Statements of Cash Flows

For the Years Ended December 31,

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Net loss	\$ (1,382,016)	\$ (777,916)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,879	2,095
Contingent beneficial conversion feature	1,342	-
Issuance of common stock for services	-	18,000
Stock-based compensation expense	12,098	1,750
Loss on sale of assets	1,555	-
Decrease (increase) in:		
Accounts receivable	(11,868)	-
Prepaid expenses and other assets	(14,504)	(18,773)
Movie inventory	(200,653)	(6,234)
Increase (decrease) in:		
Accounts payable and accrued expenses	71,167	49,721
Deferred revenue	668,946	395
Net cash used in operating activities	<u>(851,054)</u>	<u>(730,962)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(3,199)</u>	<u>-</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	995,000	597,000
Proceeds from convertible notes payable	<u>1,597,917</u>	<u>267,083</u>
Net cash provided by financing activities	<u>2,592,917</u>	<u>864,083</u>
Net change in cash and cash equivalents	1,738,664	133,121
Cash and cash equivalents at beginning of year	<u>172,216</u>	<u>39,095</u>
Cash and cash equivalents at end of year	<u>\$ 1,910,880</u>	<u>\$ 172,216</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	-	-
Supplemental disclosure of non-cash investing and financing information:		
Convertible notes payable and related accrued interest converted to common stock	\$ 1,919,460	\$ -
Conversion of LLC to C-Corp	-	28,573

See accompanying notes to financial statements.

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VIDANGEL, INC.
Notes to Financial Statements

December 31, 2015 and 2014

**1. Description of
Organization
and Summary
of Significant
Accounting
Policies**

Organization

VidAngel, Inc. (the Company) was incorporated on November 13, 2013 as a Utah limited liability Company. On February 7, 2014, the Company converted to a Delaware corporation. The Company resells Blu-Ray and DVD discs to its customers. The Company includes access to proprietary content filtering technology as part of the transaction. With the purchase of the disc, and access to the technology, the customer then has the ability to stream a customized version of the disc to their location for viewing on many of today's most popular devices. After they are finished with a disc, the customer has the option to sell the disc back to the Company at a reduced price. The sell-back price varies depending on the type (Blu-Ray or DVD) of the disc, and the number of days the customer owned the disc.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Key management estimates include the estimated life of the customer's ownership of a disc, valuation allowances for net deferred income tax assets, and valuation of stock-based compensation.

Concentrations of Credit Risk

The Company maintains its cash and cash equivalents in bank deposit accounts which, at times, exceed federally insured limits. At December 31, 2015 and 2014, the Company had approximately \$1,660,000 and \$19,000 of cash and cash equivalents that exceeded federally insured limits. To date, the Company has not experienced a loss or lack of access to its invested cash and cash equivalents; however, no assurance can be provided that access to the Company's invested cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

Major vendors are defined as those vendors having expenditures made by the Company which exceed 10% of the Company's total cost of revenues. Concentrations of vendors were as follows for the year ended December 31, 2015:

Vendor A	69%
Vendor B	18%

There were no vendor concentrations for the year ended December 31, 2014.

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VIDANGEL, INC.
Notes to Financial Statements
Continued

December 31, 2015 and 2014

**1. Description of
Organization
and Summary
of Significant
Accounting
Policies**
Continued

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities to the Company of three months or less to be cash equivalents. As of December 31, 2015 and 2014, these cash equivalents consisted of money market accounts.

Movie Inventory

Movie inventory includes DVD and Blu-Ray discs purchased by the Company for resell, not in excess of realizable value. Movie inventory is recorded at the lower of cost or market, with cost being determined on a first in, first out method. The Company periodically reviews inventories for excess supply, obsolescence, and valuations above estimated realizable amounts, and provides a reserve to cover these items. Management determined that no allowance for obsolete inventory was necessary as of December 31, 2015 and 2014.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the estimated economic useful lives of the assets or over the related lease terms (if shorter) as follows:

Office and computer equipment	3 years
Leasehold improvements	1 year

Expenditures that materially increase values or capacities or extend useful lives of property and equipment are capitalized. Routine maintenance, repairs, and renewal costs are expensed as incurred. Upon sale or other retirement of depreciable property, the cost and accumulated depreciation and amortization are removed from the related accounts and any gain or loss is reflected in the statement of operations.

Impairment of Long-Lived Assets

The Company reviews its property and equipment, and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may be impaired. If it is determined that the estimated undiscounted future cash flows are not sufficient to recover the carrying value of the asset, an impairment loss is recognized in the statements of operations for the difference between the carrying value and the fair value of the asset. Management does not consider any of the Company's assets to be impaired as of December 31, 2015 and 2014.

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VIDANGEL, INC.
Notes to Financial Statements
Continued

December 31, 2015 and 2014

**1. Description of
Organization
and Summary
of Significant
Accounting
Policies**
Continued

Revenue Recognition

The Company resells Blu-Ray and DVD discs to its customers for a fixed price of \$20. Upon purchase of the disc, the customer agrees to have the Company retain physical custody of the purchased disc until such a time that the customer either requests to have the disc shipped to them directly, or the customer decides to sell the disc back to the Company at an agreed upon price, which reduces \$1 per day for DVD discs, and \$2 per day for Blu-Ray discs. During the time that the customer owns the disc, the Company gives the customer access to a patented video streaming technology that permits the customer to direct their individual viewing experience by allowing them to remove certain audio or video segments that contain material that may be considered objectionable by a member of the private household. Access to this technology is available during the entire period of which the customer owns the disc purchased from the Company, and is extinguished upon the customer selling the disc back to the Company. Revenue is recognized when all of the following criteria have been met: (1) persuasive evidence of an arrangement exists, (2) services have been rendered, (3) the Company's price to the buyer is fixed or determinable, and (4) collectability is reasonably assured.

The Company separates its revenue transactions into two pools based on length of time of disc ownership – short-term and long-term ownership of discs.

Transactions that have a short-term ownership of a disc exhibit a very short ownership time period, usually on average selling the disc back to the Company within 5 hours. For these transactions, the Company recognizes revenue on a daily basis, in an amount equal to the daily reduction in the sell-back price from the customer to the Company (\$1 or \$2 per day), and ceasing upon the customer's sell-back of the disc. Approximately 99.65% of the Company's transactions are short-term.

Transactions that have a long-term ownership exhibit a longer period of time of ownership – in excess of 20 days. A majority of the customers entering long-term transactions appear to be building a library of movie titles, and may own the associated discs indefinitely. The Company estimates the expected period of the long-term transactions, and recognizes revenue based on a subscription model, or ratably over the expected term.

Cash received from customers prior to recognition of revenue is recorded as deferred revenue.

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VIDANGEL, INC.
Notes to Financial Statements
Continued

December 31, 2015 and 2014

**1. Description of
Organization
and Summary
of Significant
Accounting
Policies
Continued**

Stock-Based Compensation

Stock-based payments made to employees, including grants of employee stock options, are measured using a fair value-based method. The related expense is recorded in the statements of operations over the period of service.

Advertising

Advertising costs are expensed as incurred. Advertising expenses totaled \$430,084 and \$67,044 for the years ended December 31, 2015 and 2014, respectively.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the tax bases of assets and liabilities. The deferred taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred income tax assets are reviewed periodically for recoverability, and valuation allowances are provided when it is more likely than not that some or all of the deferred income tax assets may not be realized.

The Company believes that it has appropriate support for the income tax positions taken and to be taken on its tax returns and that its accruals for tax liabilities are adequate for all open tax years based on an assessment of many factors including experience and interpretations of tax laws applied to the facts of each matter. The Company files income tax returns in the U.S. federal jurisdiction and certain state jurisdictions. With few exceptions, the Company is subject to U.S. federal and state and local income tax examinations by tax authorities for years ending December 2015, 2014, and 2013.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through July 29, 2016, which is the day the financial statements were available to be issued.

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VIDANGEL, INC.
Notes to Financial Statements
Continued
December 31, 2015 and 2014

2. Property and Equipment

Property and equipment consisted of the following as of December 31:

	2015	2014
Computer equipment	\$ 4,730	\$ 6,285
Leasehold improvements	3,199	-
	7,929	6,285
Less accumulated depreciation and amortization	(5,149)	(2,270)
	\$ 2,780	\$ 4,015

Depreciation and amortization expense on property and equipment for the years ended December 31, 2015 and 2014 was \$2,879 and \$2,095, respectively.

3. Convertible Notes Payables

Convertible notes payable were due various investors with an annual interest rate equal to 7%, and a maturity date of November 7, 2015. The notes were secured by substantially all of the assets of the Company. The notes were converted into shares of common stock during 2015. Certain notes raised in June 2015 were converted into shares of common stock pursuant to a contingent beneficial conversion feature, totaling \$1,342. The balance of the convertible notes payable as of December 31, 2015 and 2014 was \$0 and \$267,083, respectively.

4. Commitments and Contingencies

Litigation

The Company is involved in legal proceedings from time to time arising in the normal course of business. The Company has received, and may in the future continue to receive, claims from third parties. Management, after consultation with legal counsel, believes that the outcome of these proceedings may have a material impact on the Company's financial position, results of operations, or liquidity.

Current and future litigation may be necessary to defend the Company and its customers by determining the scope, enforceability, and validity of these claims. The results of any current or future complex litigation matters cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact because of defense and settlement costs, distraction of management resources, and other factors. Additionally, these matters may change in the future as the litigation and factual discovery unfolds. Legal fees are expensed as incurred. Insurance recoveries associated with legal costs incurred are recorded when they are deemed probable of recovery.

VIDANGEL, INC.
Notes to Financial Statements
Continued
December 31, 2015 and 2014

**4. Commitments
and
Contingencies**
Continued

Litigation - continued

The Company assesses whether there is a reasonable possibility that a loss, or additional losses beyond those already accrued, may be incurred ("Material Loss"). If there is a reasonable possibility that a Material Loss may be incurred, the Company discloses an estimate or range of the amount of loss, either individually or in the aggregate, or discloses that an estimate of loss cannot be made. If a Material Loss occurs due to an unfavorable outcome in any legal matter, this may have an adverse effect on the financial position, results of operations, and liquidity of the Company. The Company records a provision for each liability when determined to probable, and the amount of the loss may be reasonably estimated. These provisions are reviewed annually and adjusted as additional information becomes available.

The Company is involved in various litigation matters and believes that any reasonably possible adverse outcome of these matters could potentially be material, either individually or in the aggregate, to the Company's financial position, results of operations and liquidity. As of the date of the independent auditors' report management has determined an adverse outcome is not yet probable or estimable, and has not accrued any estimated losses related to these matters. Expectations may change in the future as the litigation and events related thereto unfold. During 2015 and 2014 the Company incurred \$38,906 and \$262,394, respectively, in legal and litigation costs, which are included in general and administrative expenses in the accompanying statements of operations. Also see Note 8.

Operating Leases

The Company leases office facilities under a month-to-month operating lease. Rental expense under operating leases was \$9,545 and \$5,000 for the years ended December 31, 2015 and 2014, respectively.

5. Stock Options

Stock Options

The Company's 2014 Stock Incentive Plan (the Plan), originally approved on February 27, 2014, provides for the grant of incentive stock options, nonqualified options, stock appreciation rights, and shares of restricted stock. Under the terms of the Plan, there are 1,034,544 shares of common stock available for grant to employees, officers, directors and consultants. The Board of Directors determines the terms of each grant. Generally, the options have a vesting period of 4 years with 1/48th vesting on each monthly anniversary of the vesting reference date over the four-year period, thereafter, and have a contractual life of ten (10) years. Certain stock options have provisions to accelerate vesting upon the occurrence of certain events. There are 299,733 and 915,233 shares available for grant under the Plan as of December 31, 2015 and 2014, respectively.

VIDANGEL, INC.
Notes to Financial Statements
Continued
December 31, 2015 and 2014

5. Stock Options
Continued

Stock-based compensation expense for the years ended December 31, 2015 and 2014 was \$12,098 and \$1,750, respectively. As of December 31, 2015 and 2014, the Company had \$94,556 and \$106,654, respectively, of unrecognized stock-based compensation costs related to non-vested awards that will be recognized over a weighted-average period of 4 years.

The following sets forth the outstanding common stock options and related activity for the years ended December 31, 2015 and 2014:

	Number of Options	Weighted Average Exercise Price Per Share
Outstanding as of January 1, 2014	-	\$ -
Granted	188,813	0.186
Exercised	-	-
Forfeited	(69,502)	0.186
Outstanding as of December 31, 2014	119,311	0.190
Granted	625,500	0.500
Exercised	-	-
Forfeited	(10,000)	0.186
Outstanding as of December 31, 2015	<u>734,811</u>	0.450

The following summarizes information about stock options outstanding as of December 31, 2015 and 2014:

2015				
Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
99,311	8.39	\$ 0.18	69,690	\$ 0.18
10,000	8.85	0.30	3,900	0.30
625,500	9.45	0.50	60,790	0.50
<u>734,811</u>			<u>134,380</u>	

VIDANGEL, INC.
Notes to Financial Statements
Continued
December 31, 2015 and 2014

5. Stock Options
Continued

2014				
Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
109,311	9.38	\$ 0.18	63,062	\$ 0.18
10,000	9.85	0.30	500	0.30
<u>119,311</u>			<u>63,562</u>	

The fair value of each stock-based award granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	2015	2014
Risk-free interest rate	1.31 – 1.69%	1.49 – 1.68%
Expected stock price volatility	50%	50%
Expected dividend yield	0%	0%
Expected life of options	5 years	5 years

As of December 31, 2015 and 2014, the aggregate intrinsic value of options outstanding was \$268,919 and \$0, respectively. As of December 31, 2015 and 2014, the aggregate intrinsic value of options outstanding and exercisable was \$52,644 and \$0, respectively.

Expected option lives and volatilities were based on historical data of the Company and comparable companies in the industry. The risk free interest rate was calculated using similar rates published by the Federal Reserve. The Company has no plans to declare any future dividends.

6. Related Party Transactions

The Company has a marketing services contract with an entity owned by one of the Company's stockholders. During 2015 and 2014, the Company incurred expenses of \$375,870 and \$0, respectively, to the related party for marketing services.

VIDANGEL, INC.
Notes to Financial Statements
Continued
December 31, 2015 and 2014

7. Income Taxes

The provision (benefit) for income taxes differs from the amount computed at federal statutory rates as follows:

	<u>2015</u>	<u>2014</u>
Federal income tax at statutory rates	\$ (469,919)	\$ (264,457)
State income tax at statutory rates	(45,064)	(25,526)
Change in valuation allowance	512,083	288,557
Other	2,900	1,526
	<u>\$ —</u>	<u>\$ 100</u>

Significant components of the Company's net deferred income tax assets (liabilities) are as follows as of December 31:

	<u>2015</u>	<u>2014</u>
Current:		
Accruals and reserves	\$ 264,401	\$ 19,410
Valuation allowance	(264,401)	(19,410)
	<u>\$ —</u>	<u>\$ —</u>
Long-term:		
Net operating loss carryforwards	\$ 542,350	\$ 276,004
Depreciation and amortization	374	(372)
Valuation allowance	(542,724)	(275,632)
	<u>\$ —</u>	<u>\$ —</u>

As of December 31, 2015, the Company has net operating loss (NOL) carryforwards available to offset future taxable income, if any, of approximately \$1,454,000, which will begin to expire in 2034.

The utilization of the NOL carryforwards is subject to annual limitations under Section 382 of the Internal Revenue Code. Section 382 imposes limitations on a corporation's ability to utilize its NOL carryforwards if it experiences an "ownership change." In general terms, an ownership change results from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50% over a three-year period.

The Company has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits.

VIDANGEL, INC.
Notes to Financial Statements
Continued
December 31, 2015 and 2014

8. Subsequent Events

Litigation

As described more fully in Note 4, the Company is subject to claims and litigation that arise in the normal course of business. Management reviews those claims and believes none of them meet the standard for accrual or disclosure. In June 2016, a complaint was brought against the Company for infringing on exclusive rights under the Copyright Act and for violating the Digital Millennium Copyright Act. The Company believes its legal position has merit, and is vigorously defending the matter. The potential loss associated with the lawsuit is not estimable and the probability of the loss is unknown.

Stock Repurchase Agreement

On January 21, 2016, the Company entered into a stock repurchase agreement with one of the shareholders. The agreement was for the shareholder to sell to the Company and the Company agreed to purchase from the shareholder 397,350 shares of the Company's common stock for \$325,000.

Employment Agreement

On July 21, 2016, the Company hired an attorney as in-house general counsel. The associated employment agreement includes certain common stock option modifications, severance terms in certain circumstances, and the establishment of a cash collateral account.



VidAngel, Inc.

\$11,250,000 Maximum Offering Amount (3,750,000 Shares of Class B Nonvoting Common Stock)

\$5,000,000 Minimum Offering Amount (1,666,667 shares of Class B Nonvoting Common Stock)

Offering Circular

October 19, 2016

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8 Attorneys for Plaintiffs and
 Counter-Defendants
 9

10 UNITED STATES DISTRICT COURT
 11 CENTRAL DISTRICT OF CALIFORNIA
 12 WESTERN DIVISION
 13

14 DISNEY ENTERPRISES, INC.;
 LUCASFILM LTD. LLC;
 15 TWENTIETH CENTURY FOX FILM
 CORPORATION and WARNER
 16 BROS. ENTERTAINMENT INC.,

17 Plaintiffs and Counter-
 Defendants,
 18

19 vs.

20 VIDANGEL, INC.,

21 Defendant and Counter-
 Claimant.
 22

Case No. 16-cv-04109-AB (PLAx)

**REDACTED VERSION OF
 DOCUMENT PROPOSED TO BE
 FILED UNDER SEAL**

**SUPPLEMENTAL DECLARATION
 OF ROBERT SCHUMANN IN
 SUPPORT OF PLAINTIFFS'
 MOTION FOR PRELIMINARY
 INJUNCTION**

Judge: Hon. André Birotte Jr.
 Date: October 31, 2016
 Time: 10:00 a.m.
 Crtrm.: 4

Trial Date: None Set

1 I, Robert Schumann, declare as follows:

2 1. I have personal knowledge of the facts set forth herein, except as to
3 those stated on information and belief and, as to those, I am informed and believe
4 them to be true. If called as a witness, I could and would testify competently to the
5 facts stated herein.

6 2. I submit the following supplemental declaration on behalf of Plaintiffs
7 in the above-referenced action. In addition to the materials listed in my declaration
8 of August 22, 2016, I have reviewed the declarations of Sigurd Meldal and Neal
9 Harmon; the deposition transcript of Tedd Cittadine; and VidAngel's Opposition to
10 Plaintiffs' Motion For Preliminary Injunction. I also have reviewed the other
11 documents identified in Exhibit A hereto and any other documents referenced in this
12 Supplemental Declaration or in my August 22 Declaration.

13 **Dr. Meldal Agrees That CSS, AACS And BD+ Prevent Access To, And**
14 **Copying Of, Content On DVDs And Blu-Ray Discs**

15 3. As I explained in my August 22 Declaration, CSS, AACS and BD+ use
16 a combination of encryption and authentication measures to prevent unauthorized
17 access to or copying of the encrypted content on DVDs and Blu-ray discs. *See*
18 Schumann Decl. ¶¶ 20-34. These mechanisms are designed to ensure that the
19 content on a protected disc will be played only by authorized DVD and Blu-ray
20 players that have the necessary "keys" to decrypt the encrypted content and the
21 required credentials to authenticate the player to the disc drive. Absent the
22 introduction of illegal circumvention technology, DVD and Blu-ray players have
23 those keys and credentials only if they are licensed by the relevant licensing
24 organization, such as the DVD Copy Control Association ("DVD CCA") in the case
25 of CSS; or the Advanced Access Content System Licensing Administrator ("AACS
26 LA") in the case of AACS.

27 4. Although licensed players can decrypt content on discs protected by
28 CSS, AACS or BD+ during playback, licensed players *cannot* decrypt the content

1 on an encrypted disc to allow *copying* of that content. CSS, AACS and BD+ thus
2 ensure that a licensed player will enable the contemporaneous decryption of the disc
3 and playback of content on that viewer. CSS, AACS and BD+ do not otherwise
4 allow for access to that content, including access that would allow the user to copy
5 the content without encryption. In other words, if a user somehow were able to
6 bypass or remove the measures that prevent access and copying, the content still
7 would be encrypted, meaning that the user could not view the content, convert it to a
8 different format or edit that content. The user would need to decrypt the content in
9 order to carry out any of those processes.

10 5. Dr. Meldal agrees with my conclusion that CSS, AACS and BD+ use a
11 combination of encryption and authentication to prevent unauthorized access to the
12 content on DVDs and Blu-ray discs. *See* Meldal Decl. ¶¶ 9-10 (stating that he
13 “agree[s] with [Mr. Schumann’s] descriptions of how CSS, AACS and BD+ each
14 function” and that “[b]y definition, it is impossible to access, view, copy or alter in
15 any way a motion picture contained on an encrypted digital disc without first
16 unlocking the encryption”). He also agrees that, in the absence of software that
17 removes or bypasses the encryption (software that is, as I discuss below, illegal),
18 CSS, AACS and BD+ would prevent the ordinary consumer from copying or
19 otherwise gaining access to the content on encrypted DVDs or Blu-ray discs. *Id.* at
20 ¶¶ 9-10, 12.

21 **Dr. Meldal Agrees That VidAngel Decrypts The Encrypted Content On DVDs**
22 **And Blu-ray Discs**

23 6. As I explained in my August 22 Declaration, because VidAngel uses
24 DVDs and Blu-ray discs to obtain the copies of Plaintiffs’ works that VidAngel
25 streams, VidAngel must first use illegal software to decrypt the encrypted content
26 on the discs in order to allow it to create digital copies of that content (a process
27 generally referred to as “ripping”) and convert it to a useable format. At his
28 deposition, Mr. Harmon described this process as “open[ing] a decrypted version of

1 the files,” and he confirmed that, to complete the process, VidAngel “use[s] a
2 program [it] purchas[ed] called AnyDVD HD.” Ex. B (Tr. 64:6-8). VidAngel’s
3 Director of Technology described VidAngel’s process for decrypting and copying
4 the content on encrypted DVDs even more bluntly: [REDACTED]

5 [REDACTED] See Schumann Decl. Ex. D.

6 7. Dr. Meldal’s declaration confirms that VidAngel accesses and copies
7 content from DVD and Blu-ray discs by using a “software program such as
8 AnyDVD HD.” Meldal Decl. ¶ 37(ii). Dr. Meldal states that VidAngel uses such
9 software “to automatically allow read-access for the purpose of mounting the DVD
10 or Blu-ray files for uploading onto a computer, in the process necessarily removing
11 restrictions on DVD or Blu-ray content access.” *Id.* That is a technical way of
12 saying that VidAngel uses AnyDVD HD and similar products to decrypt the
13 encrypted content on DVDs and Blu-ray discs, so that VidAngel can access the
14 content on those discs and copy that content onto VidAngel’s computer system
15 and/or servers in a usable format. As I have discussed, that is copying that CSS,
16 AACS and BD+ would prevent in the ordinary course of their operation.

17 8. AnyDVD HD is software that, without authorization from copyright
18 owners or the licensing organizations for CSS, AACS or BD+, removes or bypasses
19 the encryption measures on DVDs and Blu-ray discs.

20 9. AACS and BD+ are continually updated in response to software such
21 as AnyDVD HD. In turn, the developers of the unauthorized software will
22 frequently develop new techniques for bypassing the updated protection mechanism.
23 This in essence is a constant process of “cat-and-mouse” between the authorities that
24

25
26 ¹ In this context, [REDACTED] is simply the process of combining multiple files that
27 have been ripped off of a DVD or Blu-ray disc (for example, the audio and video
28 files).

1 license AACS and BD+, and people and entities determined to bypass those
2 protection measures.

3 10. AnyDVD HD enables its customers to receive updates to its illegal
4 circumvention software through an online database. When a customer like
5 VidAngel “buys” AnyDVD HD, that customer is not receiving a one-time product,
6 such as a software file on a computer disc. The customer instead is paying for a
7 subscription, which provides access to whatever is the most up-to-date version of
8 the illegal software. The customer then can use the updated software to circumvent
9 AACS and BD+ on new titles as they are released on Blu-ray discs.

10 11. Dr. Meldal describes AnyDVD HD as “readily available software” that
11 is “easily accessible, despite the fact that much of that software is no longer readily
12 sold in the United States.” Meldal Decl. ¶ 12. Dr. Meldal neglects to mention,
13 however, the reason why such programs are generally unavailable in the United
14 States: They are widely recognized to be illegal ripping software, the sale and
15 distribution of which I understand to be prohibited under the DMCA.

16 12. AnyDVD HD is currently sold by an entity called RedFox, which
17 operates from Belize. *See* Ex. C (screenshot of RedFox page discussing its
18 products, including AnyDVD HD, showing its URL as “www.redfox.bz”). RedFox
19 is a successor to the company SlySoft, which was shut down in February of this
20 year, and which previously sold AnyDVD HD.² During its existence, SlySoft
21 operated from Antigua and Barbuda.

22 13. SlySoft was included—along with sites like ThePirateBay.se and
23 Rapidgator.net—in the Office of United States Trade Representative’s (“USTR”)
24 2013 Out-of-Cycle Review of Notorious Markets, which “identifies select online
25

26 ² *See, e.g.*, ArtsTechnica, “DRM Defeaters Defeated? Slysoft Ceases Operations,”
27 *available at* <http://arstechnica.com/tech-policy/2016/02/drm-defeaters-defeated-slysoft-ceases-operations/>.
28

1 and physical marketplaces that reportedly engage in and facilitate substantial piracy
2 and counterfeiting.” Ex. D at 27. The USTR selects websites for inclusion “both
3 because they exemplify concerns about trademark counterfeiting and copyright
4 piracy on a global basis and because the scale and popularity of these marketplaces
5 can cause economic harm to U.S. and other IPR holders.” *Id.* The USTR report
6 described SlySoft as a company that “sells software that removes region coding and
7 other technological protection measures from optical disks so that they can be
8 viewed and copied without authorization of copyright holders.” *Id.* at 34.

9 14. In 2014, the owner of SlySoft, Giancarla Bettini, was found guilty in
10 Antigua of criminally violating that country’s anti-circumvention law.³

11 15. On February 5, 2016, shortly before SlySoft was shut down, AACS LA
12 requested that the USTR add Antigua and Barbuda as a priority watch country under
13 Section 182 of the Trade Act of 1974 for its “failure to provide adequate remedies to
14 enforce its prohibition on circumvention of technological protections measures.”
15 *See* Ex. E at 46. AACS LA noted that SlySoft’s AnyDVD HD program is “the best
16 known, and to [AACS LA’s] knowledge the most widely used, program for
17 circumventing implementations of AACS Technology and gaining access to the
18 motion picture content protected by [AACS].” *Id.* at 47.

19 16. Dr. Meldal and I agree that, if VidAngel did not use AnyDVD HD or
20 similar products to decrypt DVDs and Blu-ray discs, VidAngel would be not have
21 the ability to: (a) copy the unencrypted digital content from encrypted discs;
22 (b) upload the content onto VidAngel’s internal computer system or third-party
23 servers; (c) convert that content to a format that facilitates streaming; or (d) stream it
24

25
26 ³ *See, e.g.*, DigitalDigest.com, “SlySoft Owner Found Criminally Guilty For Making
27 Blu-ray Ripper,” *available at* [http://www.digital-digest.com/news-63893-Slysoft-
28 Owner-Found-Criminally-Guilty-For-Making-Blu-ray-Ripper.html](http://www.digital-digest.com/news-63893-Slysoft-Owner-Found-Criminally-Guilty-For-Making-Blu-ray-Ripper.html).

1 over the Internet. VidAngel takes all of these actions to operate its streaming
2 service.

3 17. Dr. Meldal states that decryption is necessary for VidAngel to filter
4 content obtained from DVDs and Blu-ray discs. *See* Meldal Decl. ¶ 18. It is
5 fundamental, however, that decryption is necessary for VidAngel to *stream* the
6 content that it rips from DVDs and Blu-ray discs. If VidAngel did not decrypt using
7 illegal circumvention software, VidAngel would not be able convert the protected
8 content into the viewable digital copies that VidAngel uses to stream performances
9 to its customers.

10 18. Dr. Meldal states that he finds VidAngel’s use of AnyDVD HD and
11 similar software to be analogous to the “unlocking” of encryption that occurs when
12 a licensed player is used to lawfully view a DVD or Blu-ray disc. Meldal Decl.
13 ¶ 40. Both processes involve decryption, but they are not equivalent. As I have
14 described above, an authorized DVD or Blu-ray player decrypts a DVD or Blu-ray
15 disc during playback pursuant to a license from the relevant licensing organization.
16 Decryption occurs with authorization and at the same time that the disc is played; no
17 permanent, decrypted copy of the content is made as part of the authorized
18 playback. CSS, AACS and BD+ are specifically designed to *allow* such authorized
19 decryption, while otherwise preventing access to the digital content on the protected
20 disc.

21 19. VidAngel, by contrast, uses illegal ripping software to bypass CSS,
22 AACS and BD+ protection in order to create an unencrypted, permanent digital
23 copy of the content on the disc. I understand that the CSS, AACS and BD+
24 licensing terms do not authorize this type of access. Licensed disc players are
25 specifically designed to prevent—and, in the ordinary course of their operation, do
26 prevent—users like VidAngel from copying unprotected digital content from discs,
27 manipulating that content and streaming it over the Internet.

28

1 20. I therefore disagree with Dr. Meldal that “[i]t is inherent in the
2 decryption process that a local version of the unlocked content be created—be it in
3 memory or storage.” *Id.* ¶ 20. While it is true that licensed CSS, AACS and BD+
4 implementations must decrypt content, that decrypted content must be placed into
5 protected memory, cannot be maintained in that memory for longer than necessary
6 to affect the playback, and represents a minor fraction of the overall content at any
7 point in time. In short, licensed CSS, AACS, and BD+ implementation are allowed
8 to maintain ephemeral snippets of the content in the clear. They are specifically NOT
9 allowed to put it in “other storage” as Dr. Meldal states. As a result, a primary
10 purpose of using illegal ripping software is that, in the ordinary course of their
11 operation, CSS, AACS and BD+ use encryption, among other measures, to prevent
12 access to and copying of content contained on DVDs and Blu-ray discs. People use
13 AnyDVD HD and similar software precisely so that the content on the disc will be
14 stripped of its protective layers and copied to another medium without protection.

15 **Dr. Meldal Agrees That VidAngel Creates Digital Copies Of The Content On**
16 **Blu-ray Discs And DVDs And Uploads That Content Onto Computer Servers**

17 21. My review of Dr. Meldal’s Declaration confirms my original opinion
18 about how VidAngel works. Dr. Meldal uses highly technical terms in his
19 declaration. The process that Dr. Meldal describes is quite straightforward:
20 (a) VidAngel purchases a copy of a movie on DVD or Blu-ray disc (I use “movie”
21 in this Declaration to refer to motion pictures and television programs contained on
22 DVDs or Blu-ray discs); (b) VidAngel inserts a copy of the disc into the optical
23 drive of a computer; (c) AnyDVD HD (or a similar ripping program) runs in the
24 background, decrypting the contents of the encrypted disc; (d) VidAngel copies the
25 content of the disc; (e) VidAngel uploads the digital copy of the content onto
26 computer servers; (f) VidAngel prepares the content for filtering and converts it into
27 the proper format for HTTP Live Streaming (“HLS”); and (g) VidAngel streams the
28 content from a copy of the movie that VidAngel has uploaded to and stored on the

1 computer servers, not from the original DVD or Blu-ray disc. *See* Meldal Decl.
2 ¶ 37.

3 22. Dr. Meldal’s declaration also confirms my original understanding of
4 how VidAngel’s filtering technology works. *See id.* VidAngel streams content to
5 its customers over the Internet via HLS. HLS works by dividing a movie into short
6 segments (generally, no more than ten seconds in length) that the user’s computer
7 then requests, in the correct order, to play the movie. VidAngel’s filtering
8 technology allows it to “tag” segments as containing particular types of content that
9 the user may want to filter. The user then selects which filters to apply.

10 23. When a user chooses to filter a certain type of visual content, such as a
11 fight between two characters, VidAngel’s technology causes the user’s computer not
12 to obtain the stream of the segment that includes that particular piece of visual
13 content. That segment is skipped and never streamed to the user. If a user chooses
14 to filter audio content, VidAngel’s technology creates an *altered* segment that mutes
15 the audio content while leaving the visual content unchanged. The user’s computer
16 then downloads the altered segment, rather than the original segment.

17 24. Dr. Meldal does not dispute that VidAngel [REDACTED]
18 [REDACTED].

19 25. While I agree with Dr. Meldal about how VidAngel’s service operates,
20 I disagree with his conclusion that “VidAngel’s service does not even make a ‘copy’
21 of the original motion picture in any traditional sense.” Meldal Decl. ¶ 38. Based
22 on my review of Dr. Meldal’s declaration, Mr. Harmon’s deposition and VidAngel’s
23 documents, it is my professional opinion that VidAngel makes and stores at least
24 *four* different, digital copies of each work that it offers to its users. Those copies are
25 stored on the third-party servers that VidAngel leases and are streamed to
26 VidAngel’s customers over the Internet.

27 26. Mr. Harmon, for example, testified at his deposition that in order to
28 provide filtering, VidAngel must “make a copy of the M2TS files—or the MPEG 2

1 files” on the discs, and must “make a copy of the disc.” “M2TS” and “MPEG 2” are
2 merely different formats for storing audio-visual content. *See* Ex. B (Harmon Dep.
3 60:4-21). When Mr. Harmon refers to copying the “MPEG 2” and “M2TS” files, he
4 is referring to making a digital copy of the movie content on a DVD or Blu-ray disc
5 (after that content has been decrypted using AnyDVD HD).

6 27. Dr. Meldal similarly refers to copying the content on discs and
7 uploading that content onto third party servers. Meldal Decl. ¶ 37.⁴ That content is
8 ultimately converted into a different format that facilitates HLS streaming.
9 According to Dr. Meldal, VidAngel creates at least four copies of the movie in that
10 format, each at a different “bitrate.” *Id.* ¶ 37(vi)(a).⁵

11 28. Because, as I noted above, HLS operates by dividing content into short
12 segments, which are then downloaded by the customer’s computer and displayed to
13 the costumer in the correct order, VidAngel may not store the digital copies of
14 Plaintiffs’ works as a single file. Rather, at least according to Dr. Meldal’s
15 declaration, *see* Meldal Decl. ¶ 37(b), VidAngel appears to store that content in
16 segments. That the digital copies of the movies may be stored in segments,
17 however, does not mean that they are not copies. It is simply an artifact of how
18 streaming works. If one were to put all of the segments together, one would have
19 the entire movie, and in fact this is exactly what happens when a VidAngel user
20 “views” a movie. Further, these digital copies are the ones that are streamed to the
21
22

23 ⁴ Dr. Meldal refers to copying “Matroska” files. As relevant here, “Matroska” is
24 simply a particular format for digitally storing audio or visual content—in this case,
25 the audio or visual content contained in the Matroska files *is* the digital copy of the
26 movie that VidAngel has ripped from a DVD or Blu-ray disc.

27 ⁵ “Bitrate” is a term that refers to the amount of data allocated to represent the
28 content in its compressed form, typically on average and typically described as bits
per second. Generally, files with higher bitrates allow for higher quality streaming.

1 user: The user's computer requests each segment from VidAngel's servers and plays
2 them in order.

3 29. Dr. Meldal states that VidAngel's technology "does not create any
4 watchable copy of Plaintiffs' works" and notes that "a user can view the contents of
5 each segment [of a movie] only after it has been streamed in sequence, decrypted
6 with the correct keys . . . and rendered with a VidAngel media player." Meldal
7 Decl. ¶ 38. The fact that VidAngel places encryption on the segments it streams
8 does not mean that VidAngel has not copied the movie. The content on DVDs and
9 Blu-ray discs is also encrypted, and cannot be viewed absent decryption. But that
10 does not mean that DVDs and Blu-ray discs do not contain copies of movies.

11 **It Is Possible To Run A Filtering Service Without Circumventing The**
12 **Technological Protection Measures On DVDs And Blu-Ray Discs**

13 30. I understand that VidAngel has argued that it is impossible to run a
14 service that filters streamed movies without using an illegal ripping product such as
15 AnyDVD HD to decrypt DVDs and Blu-ray discs. I disagree with that contention.

16 31. Dr. Meldal himself makes clear that at least one company, ClearPlay,
17 provides filtering without circumvention. *See* Meldal Decl. ¶ 15. Dr. Meldal states
18 that ClearPlay operates by selling a special DVD player that allows customers to
19 apply filters when watching content on DVDs that they have lawfully obtained.
20 ClearPlay's DVD player could not function unless it decrypted the content on DVDs
21 during playback. Dr. Meldal, however, states that ClearPlay has lawfully obtained
22 from DVD CCA the CSS "keys" that allow decryption during playback. Assuming
23 that ClearPlay's DVD Player is properly licensed by the DVD CCA, then that player
24 is *authorized* to decrypt the content on DVDs during playback. I am not aware of
25 any evidence that ClearPlay uses illegal ripping software to remove CSS protections
26 from DVDs without authorization.

1 32. Dr. Meldal focuses on ClearPlay’s DVD player but, based on my own
2 investigation,⁶ I understand that ClearPlay also operates a streaming service that
3 allows users to filter content that they have lawfully obtained from Google Play
4 (which I understand to be an authorized licensee of Plaintiffs’ movies and television
5 content). I further understand that ClearPlay allows users to stream filtered content
6 to their computers or, through devices such as Apple TV or Google’s Chromecast
7 device, to their televisions. *See* Bennett Decl. Ex. A (ClearPlay streaming FAQ).
8 Because ClearPlay works on top of the stream that a user has lawfully obtained from
9 Google Play, I have no reason to believe that ClearPlay decrypts any encrypted
10 content without authorization.

11 **That VidAngel Uses Encryption In Conjunction With Its Streaming Service**
12 **Does Not Mean That Plaintiffs’ Content Is Secure**

13 33. Dr. Meldal states that the copies of Plaintiffs’ works that VidAngel
14 stores on third-party servers are encrypted. Meldal Decl. ¶ 37. That the content is
15 encrypted, however, does not mean that it is secure. Just as illegal technology like
16 AnyDVD HD can be used to remove encryption from DVDs and Blu-ray discs,
17 encryption can also be broken when that content is delivered via streaming. I
18 understand from reviewing the deposition of Mr. Cittadine that, [REDACTED]
19 [REDACTED].
20 *See* Ex. F (Cittadine Dep. 240:17-241:18).

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27 ⁶ Dr. Meldal references ClearPlay’s streaming service in passing. Meldal Decl.
28 ¶ 15, Ex. D.

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I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on October 3, 2016, at Reston, Virginia.



Robert Schumann

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8 Attorneys for Plaintiffs

9

10 UNITED STATES DISTRICT COURT
11 CENTRAL DISTRICT OF CALIFORNIA
12 WESTERN DIVISION

13

14 DISNEY ENTERPRISES, INC.;
LUCASFILM LTD. LLC;
15 TWENTIETH CENTURY FOX FILM
CORPORATION and WARNER
16 BROS. ENTERTAINMENT INC.,

17 Plaintiffs and Counter-
Defendants,

18 vs.

19 VIDANGEL, INC.,

20 Defendant and Counter-
21 Claimant.

22

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Case No. 16-cv-04109-AB (PLAx)

**REDACTED VERSION OF
DOCUMENT PROPOSED TO BE
FILED UNDER SEAL**

**DECLARATION OF ALLYSON
BENNETT IN SUPPORT OF
PLAINTIFFS' MOTION FOR
PRELIMINARY INJUNCTION**

Judge: Hon. André Birotte Jr.

Date: October 31, 2016

Time: 10:00 a.m.

Crtrm.: 4

Trial Date: None Set

1 I, Allyson Bennett, hereby declare:

2 1. I am an attorney with the law firm of Munger, Tolles & Olson LLP,
3 counsel for Plaintiffs in this matter. I am a member of the California Bar and am
4 admitted to practice before this Court. I have knowledge of the matters set forth
5 below based on my direct involvement in this matter or the direct involvement of
6 other lawyers at my firm. If called as a witness, I could and would testify
7 competently to the facts stated herein.

8 2. Attached as Exhibit **A** are true and correct copies of ClearPlay's
9 Frequently Asked Questions about streaming, *available at*
10 https://www.clearplay.com/t-streaming_support.aspx and a ClearPlay Letter posted
11 to its website explaining that "ClearPlay filtering works together with movies
12 streamed from Google Play." The Frequently Asked Questions document is
13 attached as Exhibit D to the declaration of VidAngel's expert, Sigurd Meldal, but
14 the attachment to the Meldal declaration is not in color.

15 3. Attached as Exhibit **B** is a true and correct copy of screenshot printouts
16 from ClearPlay's Streaming Sign-Up Page, which features a video demonstrating
17 ClearPlay's streaming product. The Video is accessible at
18 <https://try.clearplay.com/streaming-sign-up/> (last visited October 2, 2016).¹

19 4. Attached as Exhibit **C** are true and correct copies of screenshot
20 printouts from VidAngel's Facebook pages, containing user comments.

21 5. Attached as Exhibit **D** are true and correct copies of screenshot
22 printouts from VidAngel's Facebook pages, containing user comments posted since
23 the filing of Plaintiffs' Motion on August 22, 2016.

24 6. Attached as Exhibit **E** are true and correct copies of a screenshot
25 printout of the VidAngel "After Movie" survey in which VidAngel asks its users

26 _____
27 ¹ Plaintiffs have included a slipsheet with a true and correct copy of a screenshot of
28 the video. If the Court would prefer, Plaintiffs will submit DVDs containing copies
of these videos for the Court's review.

1 “Would you have watched [name of movie] without a filter?” This Exhibit also
2 attaches the correspondence from VidAngel’s counsel, Mr. Marquart, to Plaintiffs’
3 counsel, in which Mr. Marquart represents that this document is the “on-line survey
4 questionnaire Mr. Harmon referred to [in his declaration].”

5 7. To date, VidAngel has not disclosed to Plaintiffs the total number of
6 DVDs or Blu-ray Discs (“Discs”) VidAngel has purchased or the number of streams
7 it has made to users. Exhibit AA to the Declaration of Rose Leda Ehler (“Ehler
8 Decl.”) (Dkt. 30) is a document entitled [REDACTED]
9 (“Board Presentation). According to the Board Presentation, VidAngel has provided
10 at least [REDACTED]
11 since August 2015. Ehler Decl. Ex. AA at 315. At deposition, VidAngel’s CEO,
12 Mr. Harmon, testified that since January 2016, VidAngel has made between [REDACTED]
13 [REDACTED] streams. *Id.* Ex. EE Tr. 190:2-8. VidAngel also produced an
14 Excel file containing a line for each Disc VidAngel has purchased (and its inventory
15 number). The bates number for that document is D00195 but I have not attached it
16 because a printout of the file is over 1,000 pages. That Excel file contains
17 approximately [REDACTED] entries, which would correspond to [REDACTED] Discs
18 purchases as of mid-July 2016, when VidAngel stated the spreadsheet was created.
19 A conservative estimate of the ratio of streams to Discs is [REDACTED]
20 [REDACTED]. In other words, based on VidAngel’s documents and
21 information produced to date, it appears that VidAngel on average makes [REDACTED]
22 [REDACTED] streams to different users for each Disc VidAngel has purchased and
23 maintains in its inventory.

24 8. Attached as Exhibit **F** is a true and correct copy of a screenshot printout
25 from VidAngel’s Facebook page showing an advertisement for Disney’s new
26 release, *Captain America: Civil War* (2016).

27 9. Attached hereto as Exhibit **G** is a true and correct copy of a screenshot
28 printout from the Harmon Brothers’ website showing the “Team.”

1 10. Attached hereto as Exhibit **H** is a true and correct copy of
2 correspondence dated July 7, 2016, between Plaintiffs' counsel and VidAngel's
3 counsel. In that correspondence, VidAngel's counsel agreed that Plaintiffs could
4 produce a single witness to testify regarding irreparable harm matters common to all
5 Plaintiffs.

6 11. Attached as Exhibit **I** is a true and correct copy of correspondence
7 dated September 15 and 16, 2016, between counsel for VidAngel, Mr. Marquart,
8 and Plaintiffs' counsel, in which Plaintiffs' counsel requests the production of
9 underlying survey evidence.

10 12. Attached as Exhibit **J** is a true and correct copy of deposition exhibit
11 **No. 41** from the August 11, 2016, deposition of Defendants' Rule 30(b)(6) designee
12 and CEO of VidAngel, Neal Harmon.

13 13. Attached hereto as Exhibit **K** is a true and correct copy of
14 correspondence dated June 10, 2016, between Plaintiffs' counsel and Mr. Harmon
15 asking VidAngel to "stipulate to the entry of a preliminary injunction during the
16 pendency of this litigation." VidAngel considered this request until June 21, 2016
17 when VidAngel's counsel informed Plaintiffs' counsel that it would prefer to litigate
18 the issue.

19 14. Attached as Exhibit **L** is a true and correct copy of correspondence
20 dated July 5, 2016 from Plaintiffs' counsel to VidAngel's counsel regarding the
21 stipulated expedited discovery.

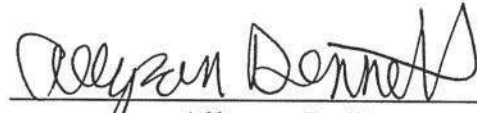
22 15. Attached hereto as Exhibit **M** are true and correct copies of excerpts
23 from the August 11, 2016, deposition of Defendants' Rule 30(b)(6) designee and
24 CEO of VidAngel, Neal Harmon.

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I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed this 3rd day of October, 2016 in Los Angeles, California.



Allyson R. Bennett

EXHIBIT A



SEARCH MOVIE NAME

Open 10 AM-6 PM MST. 866-788-6992 | HELP

LOGIN | ACTIVATE | SHOP

DOWNLOAD FILTERS

WHAT IS CLEARPLAY?

OUR PRODUCTS

MOVIES

Home > [ClearPlay Streaming Instructions & FAQ](#)
[ClearPlay Streaming Instructions & FAQ.](#)

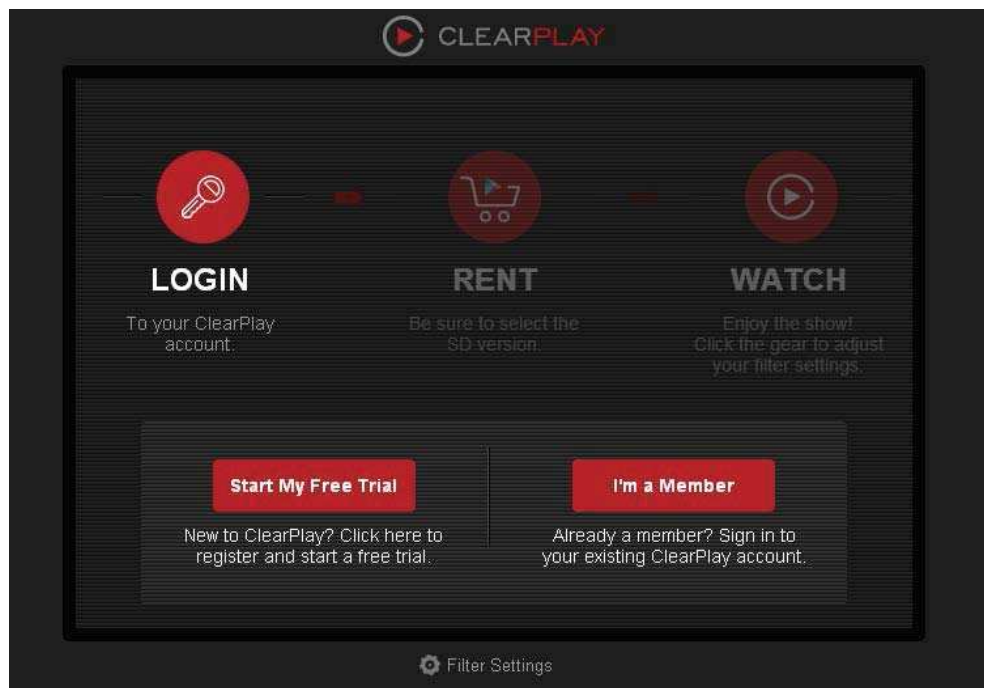
How does it work?

1. Select your favorite movies to watch from our list of streaming titles (requires Google Chrome). You can pick from our [List of Movies](#) you wish to view.

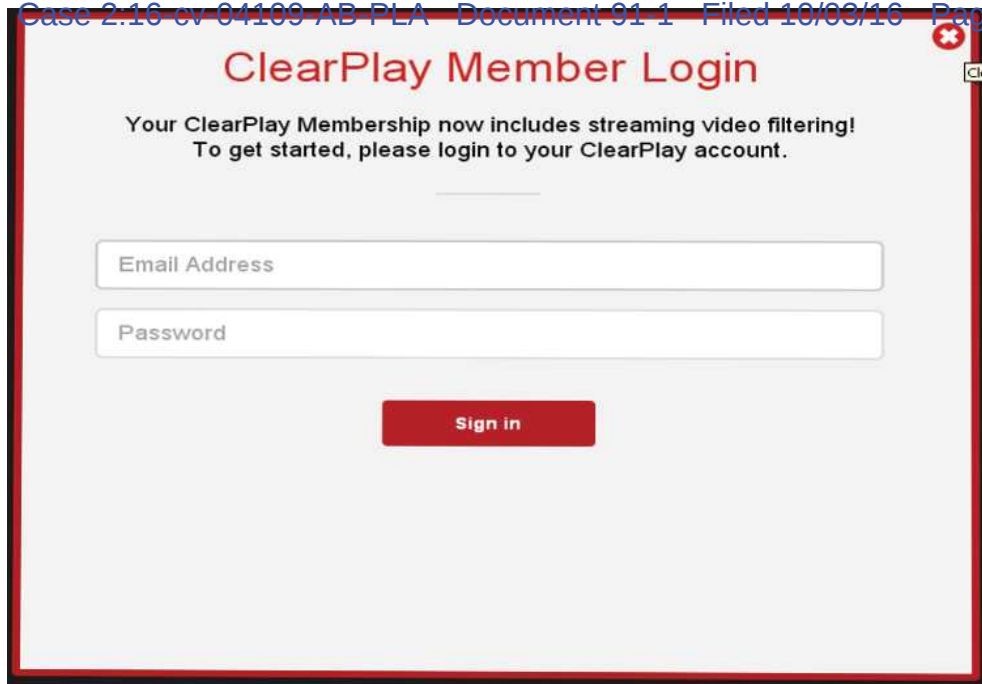
2. Click "Watch Instantly" at the top of the movie page.



3. You will be taken to our ClearPlay Streaming Player.



4a. Log into our online streaming player with your ClearPlay account info.



ClearPlay Member Login

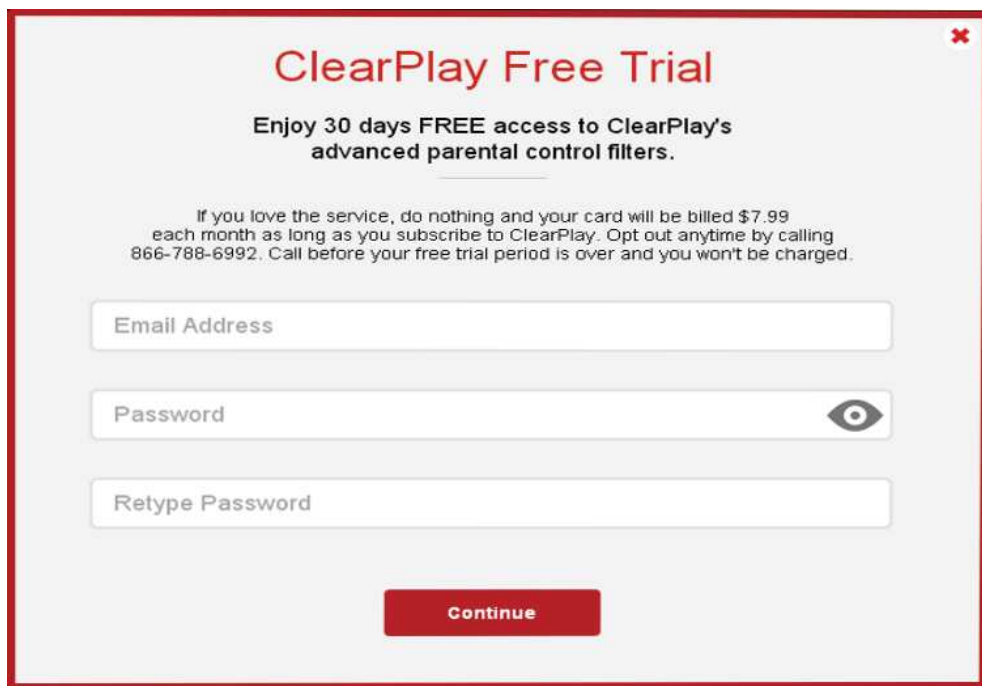
Your ClearPlay Membership now includes streaming video filtering!
To get started, please login to your ClearPlay account.

Email Address

Password

Sign in

4b. If you aren't already a ClearPlay member, you can try it free for 30 days.




ClearPlay Free Trial

Enjoy 30 days FREE access to ClearPlay's advanced parental control filters.

If you love the service, do nothing and your card will be billed \$7.99 each month as long as you subscribe to ClearPlay. Opt out anytime by calling 866-788-6992. Call before your free trial period is over and you won't be charged.

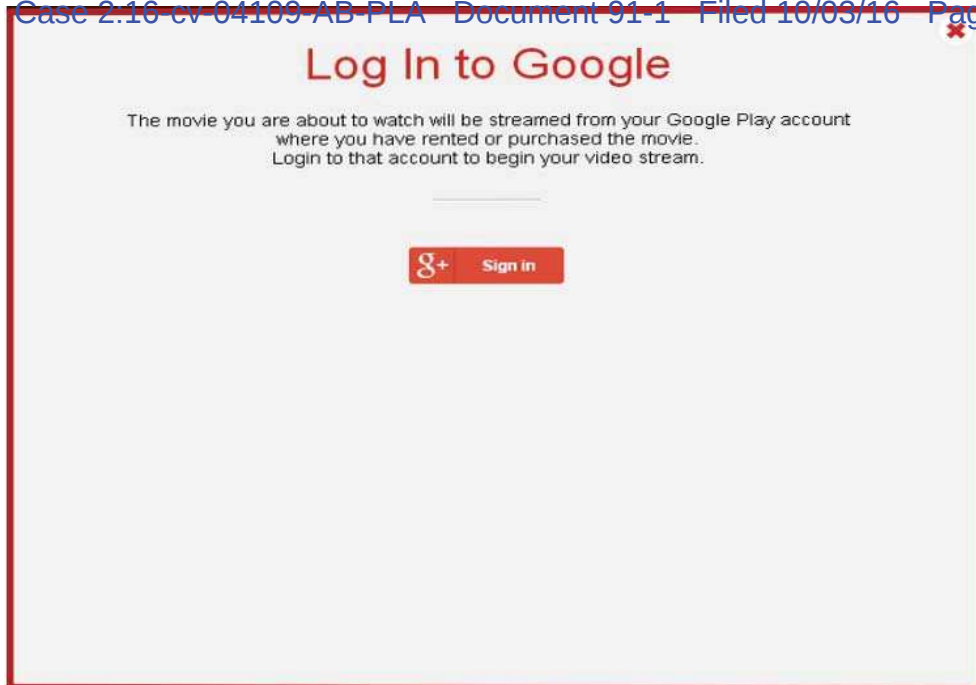
Email Address

Password 

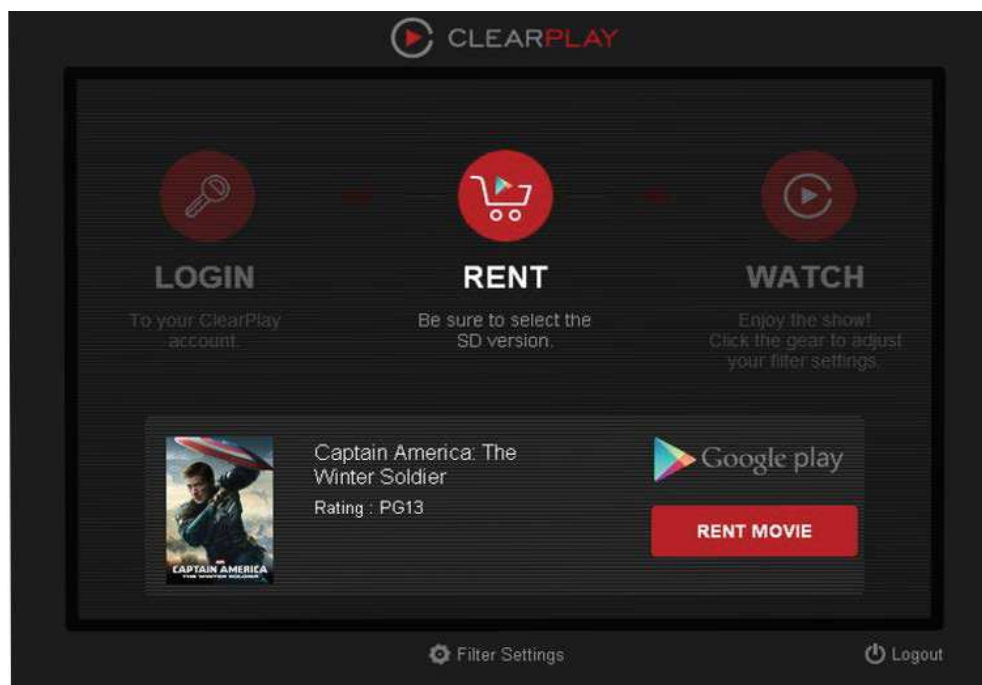
Retype Password

Continue

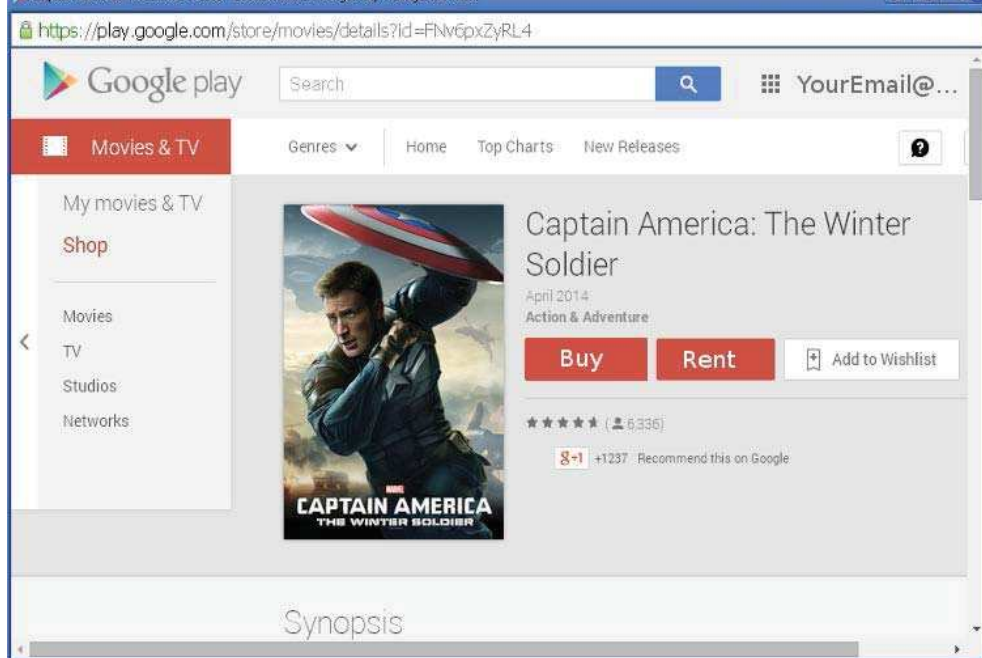
5a. We stream movies from Google Play. Log into your Google Account to confirm the rental/purchase of the movie you want to stream.



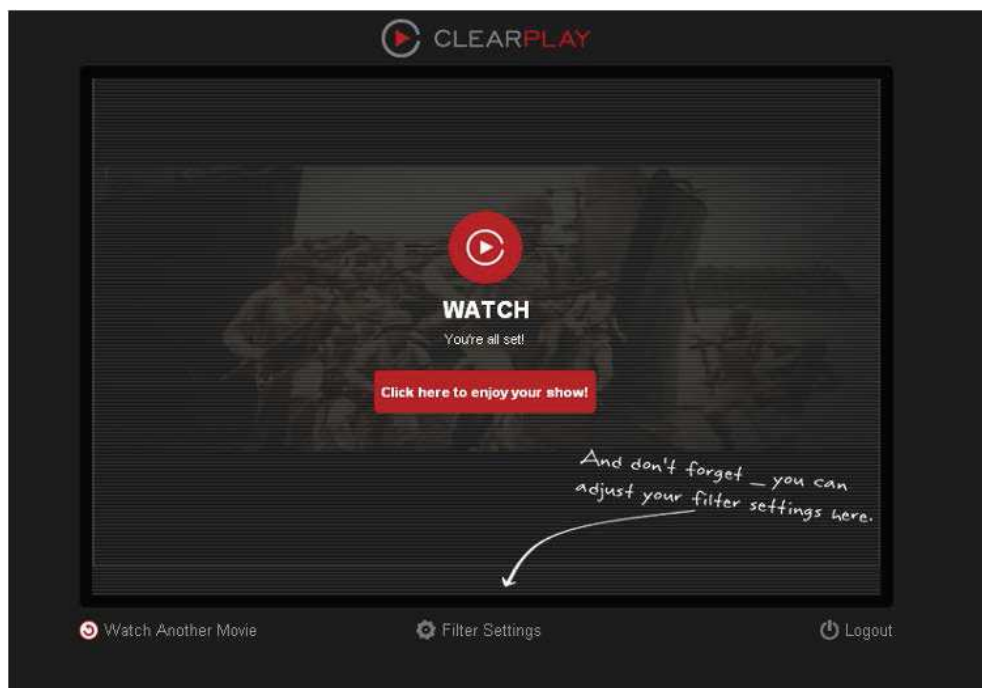
5b. If you have not rented/purchased the movie you will be asked to rent or buy the movie in a new pop up window.



5c. Confirm rental or purchase terms (rentals are available within a limited timeframe after confirmation).



6. Change your filter settings at the bottom of the screen and enjoy the show!



Enjoy The Stream!

- Does it cost extra?

Rental and purchase fees may apply but the filtering service is included free with your Clearplay membership

- Do I need the wireless FilterStik to make it work?

Nope. The FilterStik is only used for our players.

- What devices can I use to watch the movie?

Currently, Mac or PC.

-Can I adjust what I want to filter out?

Of course! Before the movie starts you can adjust your filter settings below the

player window.

-Which movies can I watch?

All the movies listed on our streaming [movie list](#). (There are a lot.)

- Does this work on all streaming services?

ClearPlay Streaming works exclusively with rentals and purchases made through Google Play.

- If I watch the movie directly on Google Play will it be filtered?

No. After renting/purchasing the movie at Google Play, begin filtered playback by clicking the ClearPlay Streaming individual movie page.

- Can I use Google's Chromecast?

If you have a Chromecast then you can mirror your desktop or laptop to your TV by using the Chrome Browser "cast" feature. Be aware that we have seen some slowness with the video being playing on the TV when mirroring.

NOTE: Do not click on the "cast" icon on the ClearPlay streaming player. This will play the movie on your TV through the Chromecast but it will not be filtered."

- Can I use Apple Air Play?

If you have an Apple TV then you can use Air Play to mirror your laptop to your TV. This works natively for Safari on a Mac product. If you are on a windows platform then there are several third party software's that will mirror your laptop or desktop to your Apple TV.

- How Can I display the movie on my TV?

If you're using a laptop or desktop that has an HDMI port you can use an HDMI cable to go from your computer to the TV. There are plenty of tutorials on the web that will walk you through how to do that with your computer and Operating System. If your computer does not have an HDMI cable port you can also use cables like VGA to HDMI or DVI to HDMI, depending on how your computer is set up. You can find them on Amazon or at any electronic store.

-Why won't the movie play after renting/purchasing it?

Be sure you're using the latest version of **Google Chrome** to stream it (other browsers tend to run into caching problems). If you're experiencing problems, or really want to try a different browser, clearing your browser's cache can help. Here's how:

[Internet Explorer](#)

[Mozilla Firefox](#)

[Google Chrome](#)

[Apple Safari](#)

I cleared my browser's cache and I'm still getting an error message when I try to watch my movie.

ClearPlay filtering is applied to the movie as it streams from Google Play, so if you're running into issues your best bet is to check Google Play [support documentation](#).

[Home](#)

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[Pinterest](#)

[Movie Battles](#)

[Jobs](#)

[Privacy](#)

[What Is ClearPlay?](#)

[Reviews](#)

[Twitter](#)

[About](#)

[Shop](#)

[Redeem Gifts](#)

[New Movies](#)

[Facebook](#)

[Google+](#)

[Blog](#)

[Contact Us](#)



[Sign In](#)

Filtering & Streaming. Together.

Dear Friend,

"It's amazing," a friend reminded me, "that movies cost the studios umpteen million dollars to make, but only cost me a few dollars to see..."

Even more amazing is when a favorite movie inspires me, challenges me to be better, and truly entertains my whole family. Certainly not every movie accomplishes this, but when one does, it is worth every dollar!

At ClearPlay we have a favorite word. Together. ClearPlay filtering works together with movies streamed from Google Play. We launched this service during Christmas of 2013. The filtering is included in ClearPlay's \$7.99 monthly membership, and the price of a movie from Google Play ranges from \$2.99 to \$19.99. Together this is fair for everyone.

I invite you to gather the family, with the comfort and confidence that this is the legal way to filter streaming movies.

As always, Enjoy the Show!
Together.

Matt
ClearPlay CEO

A handwritten signature in blue ink that reads "Matt".

First month free.

Monthly price after free month ends: \$7.99

Join Free For A Month

EXHIBIT E



Thanks for watching "Act of Valor" on VidAngel?

How did you like this movie?



Was this movie inspiring?

- YES NO

What is the youngest age group for which you would recommend this movie?

- 3 - 5 6 - 10 11 - 13 14 - 16 17+ Would not recommend

How was your streaming experience?

- GREAT SO SO TERRIBLE

Would you have watched "Act of Valor" without a filter?

- YES NO

Comments

Leave a comment...

[Click here for help](#) 

SUBMIT

Ehler, Rose

From: Jaime Marquart <jmarquart@bakermarquart.com>
Sent: Thursday, September 15, 2016 10:40 AM
To: Klaus, Kelly; Ehler, Rose
Cc: Ryan Baker; Brian Grace; Scott Malzahn; Pomerantz, Glenn; Bennett, Allyson
Subject: RE: VidAngel's Expedited Discovery Responses
Attachments: After Movie Survey VidAngel.png

Kelly,

VidAngel did not rely on the survey referenced in Rose Ehler's e-mail message to oppose the preliminary injunction motion. The sentence in VidAngel's Memorandum of Points and Authorities that stated, "Over 92 percent of VidAngel customers would not watch those movies without filtering," was in error and should have said: "Over 51% of its users would not watch unfiltered content under any circumstances; a much larger percentage would not watch the content with children present." VidAngel will file a notice of erratum to correct that mistake.

A screenshot of the on-line survey questionnaire Mr. Harmon referred to is attached for your convenience.

Best,

Jaime

From: Klaus, Kelly [<mailto:Kelly.Klaus@mto.com>]
Sent: Wednesday, September 14, 2016 11:39 AM
To: Ehler, Rose <Rose.Ehler@mto.com>; Jaime Marquart <jmarquart@bakermarquart.com>
Cc: Ryan Baker <rbaker@bakermarquart.com>; Brian Grace <bgrace@bakermarquart.com>; Scott Malzahn <smalzahn@bakermarquart.com>; Pomerantz, Glenn <Glenn.Pomerantz@mto.com>; Bennett, Allyson <Allyson.Bennett@mto.com>
Subject: RE: VidAngel's Expedited Discovery Responses

Hi Jaime –

Following up on Rose's email. Mr. Harmon's declaration makes extensive reference to the purported survey of VidAngel users, and VidAngel relies on the "92%" of users who supposedly would not watch movies without filtering extensively in its brief. Please produce all the materials Rose has described below immediately. We reserve our rights to file an immediate motion to compel and/or to move to strike Mr. Harmon's declaration and all references to the survey if VidAngel does not produce these materials immediately.

We are still going through your papers and may have additional follow-up requests.

Thanks.

From: Ehler, Rose
Sent: Wednesday, September 07, 2016 10:50 AM
To: Jaime Marquart

SER 1060

Cc: Ryan Baker; Brian Grace; Scott Malzahn; Pomerantz, Glenn; Klaus, Kelly; Bennett, Allyson

Subject: VidAngel's Expedited Discovery Responses

Jaime,

We're following up to request that you complete your production pursuant to our expedited discovery agreement. You agreed to produce all documents that VidAngel would rely upon in opposing our motion for a preliminary injunction. You did not produce these documents on July 27th as we agreed; instead, you said that you would supplement your production after receiving Plaintiffs' motion for a preliminary injunction. You have had our motion for over two weeks now. Please promptly produce all documents that you may rely upon in filing your opposition. If you are relying on any surveys (such as the "recent survey" mentioned in your Complaint or the one recently featured in this Christian Examiner article (<http://www.christianexaminer.com/article/favorite-films-of-the-faithful-batman-vs-superman-frozen-creed/51038.htm>)), please also produce the survey instrument and all results.

Thank you,

Rose

Rose Leda Ehler | **Munger, Tolles & Olson LLP**
560 Mission Street | San Francisco, CA 94105
Tel: 415.512.4071 | Rose.Ehler@mto.com | www.mto.com

NOTICE

This message is confidential and may contain information that is privileged, attorney work product or otherwise exempt from disclosure under applicable law. It is not intended for transmission to, or receipt by, any unauthorized person. If you have received this message in error, do not read it. Please delete it without copying it, and notify the sender by separate e-mail so that our address record can be corrected. Thank you.

EXHIBIT G



Team

We work with amazingly talented individuals. Our work is largely project based so we bring different people on depending on the project. Here is our core team.



Jeffrey Harmon

Jeffrey is the mad scientist behind everything we do. Harmon Brothers love to "ZAG" while everyone else "ZIGS" and Jeffrey has the vision to make that possible.



Neal Harmon

Neal is the technical glue that makes Jeffrey's visions reality. He codes, he builds, he negotiates, he just gets stuff done.



Daniel Harmon

Daniel has the designer's eye that makes you LOVE our work. Seriously, our work just isn't the same without a little TLC from Daniel. [See Daniel's logo-design portfolio](#)



Theron Harmon

As a producer and client liason, Theron's happiest when clients are overjoyed. No wonder Theron smiles so much!



Kaitlin Snow

Kaitlin is our lead video editor. She loves the puzzle editing presents. She finds the sweet spot between quick hooks and comedic pauses leaving the audience satisfied but wanting more. She is the key to the rhythm our videos are known for.



Madeleine Flynn

Madeleine is the comedic marketer with a knack for problem solving. She helps us stay cool and tells us when we've made too many "poo" jokes.



Benton Crane

Benton let's the creatives be creative by keeping all the boring stuff under control. You know, stuff like budgets, proposals, timelines, and deadlines.

[I want to join the Harmon Brothers team](#)

EXHIBIT G
BENNETT-41

EXHIBIT M

**REDACTED
VERSION OF
DOCUMENT
PROPOSED TO BE
FILED UNDER SEAL**

HIGHLY CONFIDENTIAL - ATTORNEYS' EYES ONLY
NEAL HARMON, 30(B)(6) - 08/11/2016

1 UNITED STATES DISTRICT COURT
2 CENTRAL DISTRICT OF CALIFORNIA
3 WESTERN DIVISION
4

5 DISNEY ENTERPRISES, INC.;)
6 LUCASFILM LTD., LLC;) No. 16-cv-04109-
7 TWENTIETH CENTURY FOX FILM) AB (PLAx)
8 CORPORATION and WARNER BROS.)
9 ENTERTAINMENT, INC.,)
10 Plaintiffs and Counter-)
11 Defendants,)
12 VS.)
13 VIDANGEL, INC.,) Pages 1-325
14 Defendant and Counter-)
15 Claimant.)
16 _____)
17

18 HIGHLY CONFIDENTIAL - ATTORNEYS' EYES ONLY
19 VIDEOTAPED DEPOSITION OF FEDERAL RULE 30(b)(6)
20 WITNESS FOR VIDANGEL, INC.:
21 NEAL HARMON
22 THURSDAY, AUGUST 11, 2016
23 9:43 A.M.
24 Reported by: LINDA NICKERSON
25 CSR No. 8746

[REDACTED]

[REDACTED]

1 The second fact was the fact that the
2 actual technical feature stopped working for the
3 Chromecast. The third fact was, as you mentioned

[REDACTED]

[REDACTED]

1 over e-mail and told me in a phone call that it was 06:14:05

2 getting very complicated and -- 06:14:10

3 Q Do you -- you've given a lot of facts about 06:14:16

4 what the basis is for your belief. 06:14:19

5 Do you have any information about any 06:14:25

6 particular studio or studios saying to Google do not 06:14:26

7 provide support for VidAngel? 06:14:32

8 MR. MARQUART: Object. That's outside the 06:14:36

9 scope of the 30(b)(6). "You" here applies to him in 06:14:37

10 his personal capacity, and it's asked and answered 06:14:40

11 to some extent. He already said uniform throughout 06:14:44

12 the industry, and he mentioned the MPA studios. 06:14:47

13 Those are the objections. 06:14:52

14 MR. KLAUS: And I will just say, 06:14:52

15 Mr. Marquart, that one of the categories for the 06:14:54

16 30(b)(6) was VidAngel's reasons for changing its 06:14:57

17 service from one that offered a plug-in filter on 06:15:00

18 top of Google Play and YouTube streams to VidAngel's 06:15:03

19 current service. So I think it's well within the 06:15:08

20 scope. 06:15:10

21 MR. MARQUART: We -- we disagree. 06:15:10

22 MR. KLAUS: You can answer -- 06:15:11

23 MR. MARQUART: I agree that the facts -- 06:15:12

24 some of these facts overlap with that, but my 06:15:14

25 contention, as I'm sure you understand, is that to 06:15:17

1 the extent that you're asking him about 06:15:21
2 affirmative -- affirmative claims, you're taking 06:15:22
3 free discovery in an expedited setting before our 26 06:15:25
4 app or anything of that nature. 06:15:32

5 You let me ask some questions after your 06:15:33
6 objection. I'm letting you ask them as well. I'm 06:15:35
7 just stating the objection on the record, and I'm 06:15:38
8 stating that my view is he's testifying in his 06:15:41
9 individual capacity. 06:15:43

10 THE WITNESS: And in terms of facts or 06:15:46
11 instructions, the last time I completed a house 06:15:51
12 transaction, as part of that transaction, I signed 06:15:54
13 an agreement with the seller of the property, and I 06:15:56
14 was the buyer of the property, and in that 06:15:59
15 agreement, it gave me instructions on -- on how 06:16:02
16 to -- how I should -- what I should do. 06:16:12

17 And my assumption is, based on the facts 06:16:15
18 that I have, that such agreements and such 06:16:17
19 instructions have been given to Google that have 06:16:21
20 prevented us from implementing our technology. 06:16:25

21 BY MR. KLAUS: 06:16:27

22 Q And so it's your belief those instructions 06:16:27
23 are not specific to VidAngel, is that what you're 06:16:28
24 saying? 06:16:32

25 MR. MARQUART: Objection; may call for a 06:16:33

1 legal conclusion. 06:16:39

2 THE WITNESS: I'm saying that in the case 06:16:44

3 of those facts, they could be more broad than 06:16:45

4 specifically VidAngel. 06:16:51

5 BY MR. KLAUS: 06:16:52

6 Q I want to be very precise here, Mr. Harmon. 06:16:52

7 Do you have -- do you believe that a studio or 06:16:57

8 multiple studios went to Google and specifically 06:17:00

9 said do not provide support to VidAngel? 06:17:03

10 A I don't have that information, but that's 06:17:09

11 what we believe based on the facts that we have. 06:17:12

12 Q You said that there were -- strike that. 06:17:17

13 A But this doesn't -- I mean, I would agree 06:17:33

14 with my counsel that this doesn't feel like it 06:17:36

15 relates to our discussion of change in the system 06:17:39

16 from one to another at this stage the way that 06:17:42

17 you're now running the line of questioning. 06:17:44

18 Q VidAngel can still work with a Chromecast, 06:17:51

19 can't it? 06:17:55

20 MR. MARQUART: Objection; foundation. 06:17:58

21 THE WITNESS: What's that? 06:17:59

22 BY MR. KLAUS: 06:18:00

23 Q VidAngel still works -- VidAngel's 06:18:00

24 filtering still works with a Chromecast device for 06:18:02

25 something to be cast to a television, correct? 06:18:05

1 answer read back to you, Mr. Harmon, my question to 06:58:54
2 you is the following: 06:58:59

3 Do you have anything that you would add to 06:59:02
4 that answer that would support a belief that any 06:59:05
5 studio or combination of studios has said to any 06:59:13
6 third party, be it Google or anyone else, not to 06:59:18
7 support or do business with VidAngel? 06:59:25

8 MR. MARQUART: I'm going to interpose the 06:59:31
9 same objections as before. We can have that 06:59:33
10 agreement. So he can answer. 06:59:35

11 MR. KLAUS: Yes. 06:59:36

12 THE WITNESS: I -- today I don't recall at 06:59:43
13 this time. 06:59:45

14 BY MR. KLAUS: 06:59:47

15 Q So you have no further information at this 06:59:47
16 time that you would add to that question -- to that 06:59:50
17 broader question? 06:59:54

18 A To the question that you just stated today, 06:59:54
19 I do not have additional information that I can 06:59:57
20 think of. 06:59:59

21 MR. KLAUS: I'm going to ask the court 07:00:01
22 reporter to mark as Exhibit 43. 07:00:02

23 (The document referred to was marked by the
24 Reporter as Plaintiffs' Exhibit 43 for
25 identification and is attached hereto.)

1 and it calls for speculation. 07:24:39

2 THE WITNESS: I don't understand your 07:24:42
3 question. 07:24:45

4 BY MR. KLAUS: 07:24:45

5 Q Is there anything -- had you been sued or 07:24:45
6 had somebody objected, do you think you would have 07:24:48
7 done anything differently in terms of the way you've 07:24:51
8 organized or operated your business than the way you 07:24:54
9 operate it today? 07:24:57

10 MR. MARQUART: Objection. It's vague and 07:24:58
11 ambiguous, calls for speculation, it's an incomplete 07:24:59
12 hypothetical. 07:25:02

13 THE WITNESS: It would be a speculative 07:25:03
14 answer. I think our -- the most accurate response 07:25:05
15 would be based on how we've responded to this 07:25:11
16 litigation. 07:25:16

17 BY MR. KLAUS: 07:25:19

18 Q Which is what? 07:25:19

19 A Which is we've done -- done everything in 07:25:22
20 our power to collaborate with the studios. 07:25:25

21 Q Anything else you can think of? 07:25:28

22 MR. MARQUART: Please don't disclose 07:25:32
23 anything -- any communications with counsel. 07:25:34

24 They're tough questions because I don't want you to 07:25:37
25 disclose any plans or intentions that came from your 07:25:39

1 STATE OF CALIFORNIA)
2) ss
3 COUNTY OF ORANGE)

4 I, LINDA NICKERSON, CSR #8746, in and for
5 the State of California do hereby certify:

6 That, prior to being examined, the witness
7 named in the foregoing deposition was by me duly
8 sworn to testify the truth, the whole truth, and
9 nothing but the truth;

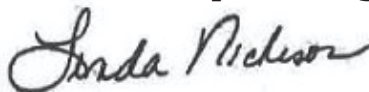
10 That said deposition was taken down by me in
11 shorthand at the time and place therein named, and
12 thereafter reduced to typewritten form at my
13 direction, and the same is a true, correct, and
14 complete transcript of the testimony at said
15 proceedings.

16 Before completion of the deposition, review
17 of transcript [X] was [] was not requested. If
18 requested, any changes made by the deponent (and
19 provided to the reporter) during the period allowed
20 are appended hereto.

21 I further certify that I am not interested
22 in the event of the action.

23 WITNESS MY HAND this 15th day of August, 2016.

24



25

LINDA NICKERSON, CSR No. 8746

ERRATA SHEET

Deposition of Neal Harmon dated August 12, 2016

I, Neal Harmon, declare under the penalties of perjury that the following testimony is true and correct (with the exception of the following changes listed below):

PAGE	LINE	TRANSCRIPT READS	CHANGE TO
80	9	Probably earlier.	Probably earlier in the year.
139	11	Finley	Fenley
140	6	Lehigh	Lehi
141	3	around February of 2014	around December of 2013
175	6	Yeah, Mr. Klaus	Mr. Klaus
175	6	filtering our	filtering
188	9	Significant.	Significant?
215	8	Don't recall.	I don't recall.
223	8	Don't – it's one of Glenn Beck's	I don't – it's one of Glenn Beck's
256	10	definite	indefinite
273	2	stooped	stopped

The following Exhibits and testimony should be designated HIGHLY CONFIDENTIAL pursuant to the Protective Order:

Testimony at 18:13-22:24

Exhibits 12 and 13 and 37:15-50:12

Exhibit 15 and 77:23-108:4

Exs. 16 and 17 and 108:8-122:20

Exhibit 19 and 132:14-24

Exhibit 21 and 137:1-141:11

Exhibit 22 and 141:15-167:14

Exhibit 23 and 167:21-173:1

Exhibit 24 and 178:1-181:9

Exhibit 26 and 183:5-205:19

Exhibit 27 and 205:23-206:1

Exhibit 29 and 225:21-226:6

Exhibit 30 and 226:14-228:18

Exhibit 33 and 240:1-244:10

Exhibit 37 and 255:10-256:18

Exhibit 39 and 279:18-283:15

The following Exhibits and testimony should be designated **CONFIDENTIAL** pursuant to the Protective Order:

Testimony at 218:1-219:3

Exhibit 38 and 257:1-261:6

Testimony at 273:4-274:25

Exhibits 40-42 and 285:2-296:16

Executed this 12th day of September, 2016

A handwritten signature in black ink, appearing to read 'Neal Harmon', written over a horizontal line.

Neal Harmon

{00096001.DOCX - v1}

CERTIFICATION OF SERVICE

I hereby certify that I electronically filed the foregoing **APPELLEES' SUPPLEMENTAL EXCERPTS OF RECORD VOLUME 1 (Pages SER 849-SER 1077)** with the Clerk of the Court for the United States Court of Appeals for the Ninth Circuit by using the appellate CM/ECF system on February 8, 2017.

I certify that all the participants in the case are registered CM/ECF users and that service will be accomplished by the appellate CM/ECF system.

DATED: February 8, 2017

s/ Donald B. Verrilli, Jr.
DONALD B. VERRILLI, JR.