

SECURITIES AND EXCHANGE COMMISSION

FORM 1-K

Filing Date: **2022-05-02** | Period of Report: **2021-12-31**
SEC Accession No. [0001654954-22-005690](#)

([HTML Version](#) on [secdatabase.com](#))

FILER

Angel Studios, Inc.

CIK: **1671941** | IRS No.: **000000000** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
Type: **1-K** | Act: **33** | File No.: **24R-00040** | Film No.: **22877871**
SIC: **7841** Video tape rental

Mailing Address
295 W CENTER STREET
PROVO UT 84601

Business Address
249 N. UNIVERSITY AVENUE
PROVO UT 84601
801-228-8444

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 1-K

ANNUAL REPORT

ANNUAL REPORT PURSUANT TO REGULATION A OF THE SECURITIES ACT OF 1933

For the fiscal year ended December 31, 2021

Angel Studios, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

46-5217451

(I.R.S. Employer Identification No.)

**295 W Center St.
Provo, Utah**

(Address of principal executive offices)

84601

(Zip Code)

(760) 933-8437

Registrant's telephone number, including area code

Part II.

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

We make statements in this annual report on Form 1-K, or the Annual Report, that are forward-looking statements within the meaning of the federal securities laws. The words "believe," "estimate," "expect," "anticipate," "intend," "plan," "seek," "may," "might," and similar expressions or statements regarding future periods are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements, or industry results, to differ materially from any predictions of future results, performance or achievements that we express or imply in this annual report or in the information incorporated by reference into this Annual Report.

The forward-looking statements included in this Annual Report are based upon our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, future business decisions, the impact of the ongoing novel coronavirus (COVID-19) pandemic, and the impact of the war in Ukraine all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements.

Any of the assumptions underlying forward-looking statements could be inaccurate. You are cautioned not to place undue reliance on any forward-looking statements included in this Annual Report. All forward-looking statements are made as of the date of this Annual Report and the risk that actual results will differ materially from the expectations expressed in this Annual Report will increase with the passage of time. Except as otherwise required by the federal securities laws, we undertake no obligation to publicly update or revise

any forward-looking statements after the date of this Annual Report, whether as a result of new information, future events, changed circumstances or any other reason. Given the significant uncertainties inherent in the forward-looking statements included in this Annual Report, the inclusion of such forward-looking statements should not be regarded as a representation by us or any other person that the objectives and plans set forth in this Annual Report will be achieved.

Item 1. Business

As used herein, “we”, “us”, “our”, “our Company”, “the Company”, “VidAngel, or “Angel Studios” and similar terms include Angel Studios, Inc. and its subsidiaries, unless the context indicates otherwise.

General

History

The Company was founded by four brothers, Neal, Daniel, Jeffrey, and Jordan Harmon, in 2013. As fathers of children aged newborn to ten, they were searching for a better way to watch quality content with their kids. The Company was originally founded as a way to give viewers greater personal control over the movies and television programs they watched at home. In 2016, we launched a new studio concept that gives the audience more control over what content is ultimately funded and produced. This endeavor has become the primary focus of the Company, which was later renamed Angel Studios. The first project launched under the new studio concept was Dry Bar Comedy. Several hundred episodes later, Dry Bar Comedy is now one of the largest collections of clean comedy in the world and can be enjoyed by audiences of all ages. Shortly thereafter, we partnered with The Chosen, LLC, or *The Chosen*, to produce a new type of television series where each season is funded by the audience. The Chosen went on to become the largest crowdfunded media project of all time.

Building on our early successes, we have launched several new initiatives that focus on content in markets currently underserved by the traditional studio system. We are regularly testing, introducing, and building new and exciting community-based features to help us achieve the goal of sharing stories with the world that amplify light.

Bankruptcy Reorganization

The Company reorganized under Chapter 11 of the Bankruptcy Code, with our reorganization plan becoming effective September 30, 2020. More information on this can be found in the section entitled “**Bankruptcy Proceedings**” under Item 1, of our Form 1-K filed April 30, 2021, which is incorporated herein by reference.

General Corporate Matters

On February 22, 2021, the Company amended its certificate of incorporation to change the allocation of Class A and Class B common stock. More information on this can be found in the section entitled “**General Corporate Matters**” under Item 1, of our Form 1-SA filed September 28, 2021, which is incorporated herein by reference.

On August 16, 2021, the Amended and Restated Stockholders Agreement (the “Amended Agreement”) was approved and adopted by holders of the Company’s Class B common stock (the “Class B Stockholders”). More information on this can be found in the section entitled “**General Corporate Matters**” under Item 1, of our Form 1-SA filed September 28, 2021, which is incorporated herein by reference. A copy of the Amended Agreement was filed as Exhibit 3.1 to our Form 1-U filed on August 18, 2021, and is incorporated by reference into this Annual Report on Form 1-K.

On September 24, 2021, pursuant to the recommendation of the Company’s Board of Directors (the “Board”), and upon receipt of the requisite stockholder consent, the Company amended and restated each of its Certificate of Incorporation and Bylaws. The following is a summary of the changes made

- The Company created additional classes of Common Stock
- The Company expanded the voting powers of its classes of Common Stock
- The Company expanded the potential size of its Board or Directors and set forth certain requirements for representation of each class of Common Stock.

- The Company added a clause that, subject to certain limited exceptions, causes its common stock to automatically convert to Class C common stock in the event of a transfer or sale.
- The Company made certain other changes to the language in the Amended Certificate to ease the burden of bringing in additional capital or entering new markets for capital.
- The Company made changes to its Bylaws that clarifies certain rights of first refusal in connection with transfers of the Company's capital stock.

The foregoing is a summary of the changes made and is not intended to be a complete description of the terms of the Amended and Restated Certificate of Incorporation (the "Amended Certificate") or Bylaws, and is qualified in its entirety by the Amended Certificate and the Bylaws, filed as Exhibits 3.1 and 3.2 of our Form 1-U filed on October 6, 2021, and incorporated by reference into this Annual Report on Form 1-K.

On January 20, 2022, the Board voted to increase the size of the Board of Directors from three, to five members. The Board then appointed Stephen Oskoui to serve as a Director of the Company. The Board subsequently reduced the size of the Board of Directors to four members. The Board also appointed Patrick Reilly, the Company's Chief Financial Officer, to serve as Secretary of the Company.

Regulation Crowdfunding Offering

The Company conducted a Regulation CF offering in March 2021. More information on this can be found in the section entitled "**Regulation Crowdfunding Offering**" under Item 1, of our Form 1-SA filed September 28, 2021.

Tender Offer

On October 1, 2021, the Company launched a tender offer for up to 1,424,734 shares of our outstanding common stock at a purchase price of \$8.90 per share in cash. The tender offer resulted in the Company purchasing an aggregate of 948,822 shares of its common stock, or 431,425 shares of its Class A common stock and 517,397 shares of its Class B common stock. This transaction represented the repurchase of 3.87% of our outstanding common stock, or 2.09% of our outstanding Class A common stock and 13.38% of our outstanding Class B common stock.

2021 Stock Transactions

On October 18, 2021, the Company sold 1,685,392 shares of its Class A common stock at the average price of \$9.28 per share. The Company received \$4,999,993 in cash, and the equivalent value of \$10,649,895 in bitcoin for the shares. The shares were issued in reliance on the exemption from registration requirements of the Securities Act of 1933, as amended, by Section 4(a)(2) and/or Rule 506 of Regulation D thereunder. This transaction represented an issuance of 8.2% of our outstanding Class A common stock as of its completion.

On November 18, 2021, the Company sold 277,181 shares of its Class A common stock at the price of \$8.90 per share. The Company received \$2,466,911 in cash for the shares. The shares were issued in reliance on the exemption from registration requirements of the Securities Act of 1933, as amended, by Section 4(a)(2) and/or Rule 506 of Regulation D thereunder. This transaction represented an issuance of 1.33% of our outstanding Class A common stock as of its completion.

Current Operations

We currently operate by offering and producing our own original content, distributing original content, consulting with content creators, maintaining engagement with our existing users, conducting research and development to create new intellectual property, and devising new methods to monetize existing intellectual property.

Original Content

We announced the "Angel Studios" concept in December 2016, and immediately began accepting submissions for digital distribution, applications to perform comedy routines for the Dry Bar Comedy series, and applications from creators interested in helping us produce original content.

We have received hundreds of inquiries and applications to partner on various projects. As of the date of this filing, we have produced and filmed hundreds of original comedy specials from various up-and-coming comedians. We have also licensed several motion pictures for exclusive digital distribution.

Why are we making our own content? - We are not your typical media and entertainment company. We are guided by our “North Star” principle, which is to share stories with the world that amplify light. We do this by aligning our interests with those of the creators and the audience and utilizing the wisdom of crowds to help guide decisions on the content that gets created. In times of stress and worry, our original content has already helped hundreds of millions of people laugh out loud more than a billion times and provided tens of millions with hope during years of dark and uncertainty. We believe there has never been a better time to build a different media and entertainment company that allows You to “Be part of stories that matter.”

Marketing and Advertising

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 users. We also rely extensively on word-of-mouth advertising, and on the marketing services of Harmon Brothers LLC, or Harmon Brothers, which offers Internet-based and multi-media promotional 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—Affiliated Transactions.**”

Intellectual Property

We regard our trademarks, service marks, copyrights, patents, domain names, trade dress, trade secrets, proprietary technologies, and similar intellectual property as important to our success. In addition, 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 technologies. We also seek to protect our intellectual property rights by requiring all employees and independent contractors involved in developing intellectual property on our behalf to execute acknowledgments that all intellectual property generated or conceived by them on our behalf or related to the work they perform for us is our property, and assigning to us any rights, title, and interest, including intellectual property rights, they may claim or have in those works or property, to the extent allowable under applicable law.

Despite our best efforts to protect our technology and proprietary rights by enforcing our intellectual property rights, licenses, and other contractual rights, unauthorized parties might 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 might not be available or might 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 might threaten litigation or sue us based on alleged infringement or other violations of intellectual property laws. 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 **Legal Proceedings.**”

Management Teams

Under the direction of our Chief Executive Officer, Neal Harmon, we currently operate with four management teams: the Product team, the Marketing and Content team, the Operations team, and the Finance team.

With the departure of Abinash Tripathy, our Product team is led by Neal Harmon, who oversees product strategy and the engineering team creating the technologies to facilitate the distribution and monetization of our original content.

The Marketing and Content team is led by our Chief Content Officer, Jeffrey Harmon, who’s primary responsibilities include, the identification and sourcing of new projects, the development and execution of marketing strategy, and assisting Creators in reaching their primary audience.

The Operations team is led by our Chief Operations Officer, Liz Ellis, who oversees strategy and execution surrounding the distribution and monetization of original content.

The Finance team is led by our Chief Financial Officer, Patrick Reilly, who oversees all finance and accounting activities for the Company.

Competition

Over-the-top, or OTT, media services has been one of the fastest growing segments in the media and entertainment industry. The OTT market was valued at approximately \$65 billion in 2021, and is projected to reach approximately \$94 billion by 2025, according to a study conducted by PWC. The global pandemic in 2020, and the resulting shutdowns around the world, sent people to their homes, tanked theater ticket sales, and accelerated the adoption of streaming services and technology by consumers. Before the pandemic, cord cutting was already a macro trend as people cancelled their subscriptions to cable tv and began watching more movies at home rather than the theater. These dynamics are creating a highly competitive marketplace.

The market for video entertainment is intensely competitive and subject to rapid change. As the industry continues to evolve, we will continue to face strong competition in every aspect of our business. We compete against much larger companies that have resources and brand recognition that pose significant competitive challenges. Our success depends on our ability to differentiate how we identify, fund, and distribute our original content.

We compete against other entertainment video providers, such as multichannel video programming distributors (“MVPDs”), streaming entertainment providers (including those that provide pirated content), and more broadly against other sources of entertainment that our customers could choose in their moments of free time. We also compete against streaming entertainment providers and content producers in obtaining content for our service.

While consumers may maintain simultaneous relationships with multiple entertainment sources, we strive for consumers to choose us in their moments of free time. By aligning the desires of the consumer with that of the creator, we believe that the audience can play a much larger role in shaping the future of content and are working to create better ways for creators to leverage the wisdom of the crowd in their creative process.

Research and Development

During the fiscal years ended December 31, 2021, and 2020, we spent \$4,939,002 and \$2,202,012, respectively, on research and development activities related to our technology.

Employees

As of December 31, 2021, we employed 119 persons full time and 2 persons part time. None of our employees are covered by a collective bargaining agreement.

Legal Proceedings

We currently are, 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 our ability to continue business operations.

ClearPlay Litigation

In 2014, we responded to a contention by ClearPlay that we (VidAngel) infringed on certain ClearPlay patents by suing ClearPlay in the United States District Court for the Central District of California (the case was later transferred 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 us alleging patent infringement. On February 17, 2015, the case was stayed pending *inter partes* review by the United States Patent and Trademark Office, or the USPTO, of several of ClearPlay’s patents. We were not 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 us, were invalidated 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. The findings of invalidity were all affirmed by the Federal Circuit on August 16, 2016. On October 31, 2016, the magistrate judge, Brooke C. Wells, conducted telephonic status conferences in this and a related case brought by ClearPlay against DISH Network and ordered that both cases be re-opened. ClearPlay then requested, and we stipulated, to continue the time for the parties to file their proposed scheduling order to December 5, 2016. We subsequently accepted the dates proposed by ClearPlay for inclusion in the proposed scheduling order. ClearPlay, however, twice requested, and we twice stipulated to allow for, additional time to consider the dates it had proposed. On January 18, 2017, ClearPlay reneged on its agreement to enter into the proposed scheduling order and, instead, moved to stay all proceedings involving us. On January 19, 2017, we brought our own motion seeking entry of the proposed scheduling order. On February 2, 2017, we filed our opposition to the stay motion and, on February 15, 2017, ClearPlay filed its reply brief in support of its stay motion. On February 16, 2017, we filed our reply brief in support of our request for entry of a scheduling order. Magistrate Judge Wells granted ClearPlay's motion to stay the litigation at least until a decision is rendered on the preliminary injunction by the Ninth Circuit. On October 12, 2017, the magistrate judge ordered the case stayed again, this time until a final decision is rendered in the Disney Litigation. On February 14, 2018, Clearplay filed a claim in our chapter 11 proceeding seeking an unliquidated sum. On April 14, 2020, the Trustee filed an objection to the claim in the Bankruptcy Court seeking an order to disallow the claim in its entirety. On October 21, 2020, the Bankruptcy Court issued an order converting the Trustee's objection to Clearplay's claim in the Bankruptcy case to an adversary proceeding. The case was transferred to the United States District Court for the Central District of Utah.

On April 20, 2021, the court lifted the stay as the final decision in the Disney Litigation had been determined and we were no longer in bankruptcy. On November 4, 2021, we informed that court that we sold VidAngel and VidAngel Entertainment is the successor. On January 14, 2022, ClearPlay filed a response stating Angel Studios and VidAngel Entertainment is liable for past infringement as they are successor to VidAngel. The Court has not yet addressed this issue.

On December 20, 2021 we served non-infringement and invalidity contentions concerning the patents asserted in this case. On January 7, 2022, ClearPlay filed a motion seeking to add additional causes of action under the Digital Millennium Copyright Act and Utah state law for alleged tortious interference, which we opposed on February 4, 2022. The motion is currently pending. We continue to pursue, contest, and defend this case vigorously, but as a result of the stays that have been entered in this case, the case remains in its early stages.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of our operations together with our financial statements and related notes appearing at the end of this Annual Report. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. Actual results and the timing of events may differ materially from those contained in these forward-looking statements.

Overview

In 2020, we sold a monthly subscription service for access to technology that permitted a user to skip or mute limited portions of motion pictures. We entered into an asset purchase agreement on March 1, 2021, agreeing to sell and assign substantially all the assets and certain liabilities of our content filtering service.

On January 20, 2017, we filmed our very first episode of Dry Bar Comedy. To date, we have produced hundreds of original comedy specials, spanning 9 seasons. Dry Bar Comedy has become one of the largest collections of clean comedy that can be enjoyed by everybody. We are continuing our efforts to develop new and innovative ways to engage audiences with content in the manner that best fits their individual lifestyle and preference.

We continue to produce our own original content and seek relationships with artists, and other content creators. In 2018, we partnered with The Chosen to provide them with the technology and know-how necessary to raise capital using Tier 2 of Regulation A of the Securities Act of 1933, as amended. The Chosen successfully raised nearly \$10M in capital to produce, it says, the first multi-season television series about the life of Jesus Christ. The first season of The Chosen was released publicly in November 2019, with us as its exclusive global distribution partner. We have since partnered with several other creators, who are at various stages at either raising capital, creating content, and/or already streaming on the Angel Studio Platform.

Results of Operations

The following represents our performance highlights:

	For the Year Ended December		Change	
	2021	31, 2020	2021 vs. 2020	
Revenues:				
Revenues	\$ 122,793,064	\$ 46,942,397	\$75,850,667	162%
Operating Expenses:				
Cost of revenues	\$ 77,129,092	\$ 25,542,998	\$51,586,094	202%
Sales and marketing	15,940,749	8,643,129	7,297,620	84%
General and administrative	11,770,089	3,754,605	8,015,484	213%
Research and development	4,939,002	2,202,012	2,736,990	124%
Write-down of digital assets	2,737,658	-	2,737,658	100%
Settlement from litigation and legal expenses	585,444	6,611,305	(6,025,861)	-91%
Total Operating Expenses:	\$ 113,102,034	\$ 46,754,049	\$66,347,985	142%

Revenues

Our primary source of revenue is the sale of digital and physical products related to content we either produce ourselves or distribute for third parties. In 2021, the significant increase in revenues was due to the sale of licensed content related to The Chosen. We saw a significant increase in sales of both digital and physical products related to The Chosen. The sale of licensed content related to The Chosen accounted for more than 94.5% of our total revenue in FY 2021.

Our content filtering service was sold as a monthly subscription and launched June 13, 2017. At release, all new customers were given a 30-day free trial of the service. In 2020 and 2021, we charged a monthly subscription fee of \$1.99 - \$14.99 for the service. All licensed content was made available to customers who subscribed to the service. This subscription service was discontinued with the sale of the filtering business in March 2021.

Operating Expenses

Our cost of revenues increased significantly in 2021 as the increased revenues resulted in greater licensing and royalty costs, higher website hosting and server related expenses, higher cost of goods sold on merchandise, and higher transaction processing costs.

The increase in sales and marketing expense was primarily due to an increase in advertising costs.

Higher general and administrative costs were related to the increased support staff necessary to manage the increase in revenues, while higher research and development costs were due to the addition of headcount necessary to continue our focus on improving existing products, optimizing existing services, and developing new technology to better meet the needs of our customers and partners.

In 2021, we invested an aggregate of approximately \$10,600,000 in bitcoin to further diversify returns on cash and cash equivalents balances that are not required to maintain adequate operating liquidity. As of December 31, 2021, the current carrying value of the digital assets exceeded the fair value based on open markets and as such we recorded an impairment loss of \$2,737,658 on the digital assets.

A one-time expense of \$5,297,359 was booked in 2020 relating to the settlement agreement agreed to as part of our Reorganization Plan and associated settlement agreement with the Plaintiffs. Additional legal expenses were incurred in early efforts to reorganize that helped establish the justification and framework for the eventual outcome. No similar costs were booked in 2021.

Liquidity and Capital Resources

Operating and Capital Expenditure Requirements

	For the Year Ended		Change	
	December 31,		2021 vs. 2020	
	2021	2020		
Cash and cash equivalents	\$ 24,258,513	\$ 11,022,292	\$ 13,236,221	120%
Accrued settlement costs	5,064,232	5,253,007	(188,775)	-4%

Cash and cash equivalents increased \$13.24 million in the twelve months ended December 31, 2021, primarily due to an increase in sales. The increase in cash and cash equivalents was also due to net proceeds received from the sale of our Class A and Class B common stock, offset by the cost to repurchase shares of common stock in a tender offer the Company made to its stockholders.

Regulation CF Offering

On March 18, 2021, the Company commenced an offering pursuant to Regulation CF of the Securities Act of 1933, as amended (the "Regulation CF Transaction"). The Company sold 561,797 shares of our Class B common stock at a price of \$8.90 per share. The Regulation CF Transaction was conducted through VAS Portal, LLC (the "Intermediary"). The Intermediary received 5% of the total amount raised in the transaction (the "Intermediary Fee"). Net of the Intermediary Fee and other associated fees, the Company received \$4,611,328 of net proceeds from the Offering.

Tender Offer

On October 1, 2021, the Company commenced a tender offer for up to 1,424,734 shares of our outstanding common stock at a purchase price of \$8.90 per share in cash. The tender offer resulted in the Company purchasing an aggregate of 948,822 shares of its common stock for a total of \$8,444,516 in cash.

Secondary Stock Transactions

On October 18, 2021, the Company sold 1,685,392 shares of its Class A common stock at the average price of \$9.28 per share. The Company received \$4,999,993 in cash, and the equivalent value of \$10,649,895 in bitcoin for the shares.

On November 18, 2021, the Company sold 277,181 shares of its Class A common stock at the price of \$8.90 per share. The Company received \$2,466,911 in cash for the shares.

To date, we have funded our operations through private and public offerings of common stock. As of December 31, 2021, we had cash on hand of \$24,258,513. We have accrued settlement costs in the amount of \$9,016,072, payable over fifty-one (51) remaining equal quarterly installments of \$176,786. The expense was recorded at the present value of the obligation with an imputed interest rate of 10%. The short-term obligation related to these settlement costs as of December 31, 2021, was \$208,373, and the long-term portion is \$4,855,859. We project that our existing capital resources will be sufficient to meet our operating requirements for at least the next 12 months.

We may need to raise additional funds to invest in growth opportunities, product development, sales and marketing, and other purposes. Our future capital requirements will depend on many factors, including our growth rate; the level of investments we make in product development, sales and marketing activities, and other investments to support the growth of our business, and may increase materially from those currently planned.

We may seek to raise additional funds through equity financing. Any additional equity financing likely would be dilutive to existing stockholders. At this time, we have no commitments for additional capital funds.

COVID-19 Pandemic

The COVID-19 pandemic and resulting global disruptions have affected our business in various ways.

- We restarted the filming of our Dry Bar Comedy Live performances at the end of 2020. We are following all local government and health department rules and regulations to increase the level of safety for both our employees and customers. As we typically

film shows up to 6-months in advance of release, incurring expenses related to their production up-front, the cancellations related to the pandemic are not expected to impact our ability to deliver new episodes of Dry Bar Comedy moving forward.

- Season 2 of The Chosen was released in April 2021. The number of people who have viewed an episode continues to increase significantly, with the majority of all episodes watched having occurred after the outbreak was officially characterized a pandemic by the World Health Organization. Initially, we believe that a combination of quarantine measures and lower digital advertising costs, helped lead to a significant increase in sales, but these effects were short lived, and we don't expect the end of the pandemic to have an effect on sales in the future.

The full extent of the impact of the COVID-19 pandemic on our business, operations and financial results will depend on a number of factors that we do not control and may not be able to accurately predict. We will continue to assess the situation as it progresses and take any action required by federal, state, or local authorities under the law, or that we determine is in the best interests of our employees, customers, and stockholders.

Trends and Key Factors Affecting Our Performance

Our business currently generates a significant portion of our total revenue from distribution activities related to our agreement with The Chosen, LLC. ("The Chosen"). The associated Video-On-Demand and Subscription Video-On-Demand License Agreement between Angel Studios, Inc. (formerly VidAngel, Inc.) and The Chosen (the "Chosen Agreement"), attached as Exhibit 6.2 of this Annual Report on Form 1-K, and incorporated by reference, outlines the current contractual arrangement between the parties.

We expect the revenue from distribution activities related to the Chosen Agreement to account for a large percentage of our revenue for the near future. While we are working with several new creators on new and exciting projects, there is no guarantee that we will be able to earn as much revenue from these projects as we do from The Chosen. If we are unable to successfully monetize other projects besides The Chosen, this may have a material adverse impact on our business, results of operations, and financial condition.

Furthermore, our ability to monetize the content we distribute is heavily reliant on factors currently outside of our control, including, but not limited to, the potential loss of key talent, the potential for budget overruns, the quality of the content produced, the timeliness of the production and subsequent release schedule, and the relationship of the creator with the audience. If we are unable to find ways to mitigate the risks associated with these external factors, it may have a material adverse impact on our business, results of operations, and financial condition.

Item 3. Directors and Officers

Subject to our stockholders' rights to consent to certain transactions, our business and affairs are controlled by, and all powers are exercised by, our Board. The Board must consist of not fewer than three (3) nor more than five (5) directors, the exact number of whom is to be set from time to time by the Board. We currently have four directors: Neal Harmon, Paul Ahlstrom, Dalton Wright, and Steve Oskoui. The Board members are 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 the 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.

The Board has retained our executive officers to manage the day-to-day operations, our intellectual property and other investments, subject to the supervision of the Board. Neal Harmon is currently our Chief Executive Officer, Elizabeth Ellis is currently our Chief Operations Officer, Jeffrey Harmon is currently our Chief Content Officer, and Patrick Reilly is currently our Chief Financial Officer. Our executive officers have accepted their appointment 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, of which there are none as of the date of this report, or their earlier death, resignation or removal. The Board may remove our executive officers subject to the terms of any employment agreements we enter into with them.

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	44	October 2013	n/a
Elizabeth Ellis	Chief of Operations	45	June 2015	n/a
Jeffrey Harmon*	Chief Content Officer	39	October 2013	n/a
Patrick Reilly	Chief Financial Officer	41	March 2014	n/a
Paul Ahlstrom	Director	58	February 2014	n/a
Dalton Wright	Director	41	February 2014	n/a
Stephen Oskoui	Director	42	January 2022	n/a

*Neal Harmon and Jeffrey 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 our Chief Executive Officer since he helped co-found the Company in 2013. Neal is also a member of Harmon Ventures LLC, a Utah limited liability company, our largest stockholder. He is also a managing member of Harmon Brothers, LLC, a Utah limited liability company, 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 various activities such as designing and creating a trucking logistics dashboard, to connect shippers and private fleets. Neal 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.

Jeffrey Harmon, Chief Content Officer. Jeffrey is a co-founder and our Chief Content Officer. Jeffrey is also a member of Harmon Ventures LLC, a Utah limited liability company, our largest stockholder. He is also a managing-member of Harmon Brothers, LLC, a Utah limited liability company, which is an online-focused advertising and marketing company he co-founded with his brothers. Jeffrey 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, traditional marketing, internet marketing and business administration.

Elizabeth Ellis, Chief of Operations. Liz Ellis is our Chief of Operations. Her duties include overseeing all operating, distribution, domestic and international operations, public relations, and human resources. She is an ICF Professional Certified Coach, and a Gallup-Certified Strengths Coach. From 2009 until she joined us, 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, Chief Financial Officer. Patrick began providing consulting services in March 2014 and joined as the Director of Finance in February 2016. Patrick oversees all accounting and finance aspects of the business, including but not limited to budgeting, forecasting, auditing, financial statement preparation and funding. Patrick is a seasoned veteran of tech startups. Prior to joining us, Patrick served as the Financial Controller at Moki Mobility, Inc. a computer software company, from 2013 to February 2016, where he was responsible for all finance and accounting duties. From 2009 to 2013, Patrick was the Vice President of Finance and Financial Controller at Allegiance, Inc. (now Maritz CX), where he was responsible for all finance and accounting duties of the company. Patrick graduated from the University of Utah with his M.B.A in 2020 and holds a B.S. in Business Administration from Utah Valley University.

Paul Ahlstrom, Director. Paul joined 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 financing rounds, 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 the popular book related to business startups, *Nail It Then Scale It*, and received his B.A. in Communications from Brigham Young University.

Dalton Wright, Director. Dalton joined 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 Ventures Mexico, 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.

Stephen Oskoui, Director. Stephen joined as our director in 2022. Stephen is Cofounder and Managing Partner of Gigafund. Before cofounding Gigafund, Stephen was a Venture Partner at Founders Fund. Prior to that, Stephen was Founder and CEO of Smiley Media. In his role as Managing Partner of Gigafund, Stephen has made significant investments in SpaceX, Neuralink, and the Boring Company. He is a board member at Bloom Institute of Technology, Veyable, Sana Benefits, Sunroom Rentals, Othram, and Cover, as well as a board observer at Luminous Computing and Last Energy.”

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Messrs. Harmon, Ms. Ellis, and Mr. Reilly, 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, 2021.

Name	Capacity in which Compensation was Received	Cash Compensation (\$)	Other Compensation (\$)	Total Compensation (\$)
Neal Harmon	Chief Executive Officer	\$ 205,591	\$ 10,696(1)	\$ 216,287
Elizabeth Ellis	Chief Operating Officer	250,230	17,907(2)	268,137
Jeffrey Harmon	Chief Content Officer	207,643	10,696(3)	218,339
Patrick Reilly	Chief Financial Officer	256,900	20,628(4)	277,528
Paul Ahlstrom	Director	n/a	n/a	n/a
Dalton Wright	Director	n/a	n/a	n/a
Stephen Oskoui	Director	n/a	n/a	n/a

- (1) On March 16, 2021 and November 2, 2021, Mr. Neal Harmon was granted stock incentive options exercisable for 13,158 and 7,000 shares of our Class A common stock, respectively, with an option price of \$3.42 and \$8.90 per share, respectively. All grants were made pursuant to the terms and conditions of our Stock Incentive Plan. The March 16, 2021 options will vest in equal monthly increments over one year, and the November 2, 2021 options will vest in substantially equal annual increments over a four-year period from the grant date.
- (2) On December 14, 2018, March 16, 2021, and September 3, 2021, Ms. Elizabeth Ellis was granted stock incentive options exercisable for 20,000, 11,718, and 50,035 shares of our Class A common stock, respectively, with an option price of \$0.32, \$3.42, and \$8.63 per share, respectively. All grants were made pursuant to the terms and conditions of our Stock Incentive Plan. The March 16, 2021 options will vest in equal monthly increments over one year, and the remaining options will vest in substantially equal annual increments over a four-year period from the grant date.
- (3) On March 16, 2021 and November 2, 2021, Mr. Jeffrey Harmon was granted stock incentive options exercisable for 13,158 and 7,000 shares of our Class A common stock, respectively, with an option price of \$3.42 and \$8.90 per share, respectively. All grants

were made pursuant to the terms and conditions of our Stock Incentive Plan. The March 16, 2021 options will vest in equal monthly increments over one year, and the November 2, 2021 options will vest in substantially equal annual increments over a four-year period from the grant date.

- (4) On December 14, 2018, March 16, 2021, and September 1, 2021, Mr. Patrick Reilly was granted stock incentive options exercisable for 20,000, 11,864 and 65,907 shares of our Class A common stock, respectively, with an option price of \$0.32, \$3.42 and \$8.63 per share, respectively. All grants were made pursuant to the terms and conditions of our Stock Incentive Plan. The March 16, 2021 options will vest in equal monthly increments over one year, and the remaining options will vest in substantially equal annual increments over a four-year period from the grant date.

Stock Incentive Plan

In effort to further our long-term stability and financial success by attracting and retaining personnel, including employees, directors, and consultants, we adopted the 2014 Stock Incentive Plan, or our Stock Incentive Plan, in February 2014. The Stock Incentive Plan was amended and restated in August 2016, again in July 2020, and again in February 2021. The plan reserves a total of 5,775,000 shares of Class A common stock for issuance through our Stock Incentive Plan with the condition that the number of options issued under the plan does not exceed 16.5% of the fully diluted outstanding shares of the Company. As of December 31, 2021, there were 4,587,956 shares of Class A common stock authorized for issuance through our Stock Incentive Plan. As of December 31, 2021, options exercisable for 2,291,628 shares of our Class A common stock have been granted, and are outstanding, under our Stock Incentive Plan, and options exercisable for 1,360,227 shares of Class A common stock 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 we will largely depend on for the successful conduct of our business and further align those persons' interests with the interests of our 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 our profits or growth. The 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's 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.

Item 4. Security Ownership of Management and Certain Security holders

Principal Shareholders

We currently have 85,000,000 shares of common stock par value \$0.001 per share, authorized, of which 27,500,000 shares have been designated as Class A common stock, 4,000,000 shares have been designated as Class B common stock, 38,000,000 shares have been designated as Class C common stock, and 15,500,000 have been designated as Class F common stock. We authorized additional Class A common stock to allow for the conversion of existing Class A common stock to Class F common stock at a later date. We also authorized sufficient Class C common stock to allow for the conversion of Class A, Class B, and Class F common stock into Class C common stock as required, and/or permitted, under the amended and restated articles of incorporation of the Company.

As of December 31, 2021, we had 20,842,227 shares of our Class A common stock issued and outstanding, 3,349,017 shares of our Class B common stock issued and outstanding, 508,420 shares of our Class C common stock issued and outstanding and zero shares of our Class F common stock issued and outstanding.

Capitalization

As of December 31, 2021, Harmon Ventures, LLC, or Harmon Ventures, owned indirectly by our CEO, Mr. Harmon, and two of his brothers, Jeffrey Harmon and Daniel Harmon, owns 8,886,464 shares of our Class A common stock. Gigafund 1, LP, of which our director, Steve Oskoui, is the managing director, owns 3,637,047 shares of our Class A common stock. Alta Ventures Mexico Fund I, LLC, or Alta Ventures Mexico Fund I, of which our director, Paul Ahlstrom, is the managing director, owns 3,160,318 shares of our Class A common stock. Various unaffiliated investors own the remaining shares of Class A common stock, Class B common stock, and Class C common stock.

The following table sets forth those executive officers, directors and other security holders that hold 10% or greater of any class of shares, as of December 31, 2021.

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 295 W Center St Provo, UT 84601	8,886,464 shares	N/A	42.64%
Class A common stock	Gigafund 1, LP 555 E. 5 th Street # 3127 Austin, TX 78701	3,637,047 shares		17.45%
Class A common stock	Alta Ventures Mexico Fund I, LLC 3315 Mayflower Avenue, Suite #1 Lehi, UT 84043	3,160,318 shares	Option exercisable for 66,000 shares of Class A common stock	15.16%
Class C common stock	Chosen, LLC 4 S. 2600 W., Suite 5 Hurricane, UT 84737	456,364 shares		89.76%
Class C common stock	JK Andrus Investments, LLC 5008 S Marilyn Drive Holladay, UT 84117	52,056 Shares		10.24%

As of December 31, 2021, Harmon Ventures owned 35.98% of our total outstanding shares of capital stock, Gigafund 1, LP owned 13.02% of our total outstanding shares of capital stock, and Alta Ventures Mexico Fund I owned 12.79% 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 our directors, officers, employees or consultants or our affiliates as equity incentive compensation under our Stock Incentive Plan, which shares will have all benefits, rights and preferences that our Board may designate as applicable to such shares.

Item 5. Interest of Management and Others in Certain Transactions

Affiliated Transactions

Promotion and Marketing Services Agreement with Harmon Brothers, LLC.

We entered into a “Promotion and Marketing Services Agreement” (the “HB Marketing Agreement”) with Harmon Brothers, LLC (or “HB”) dated July 23, 2021. Neal Harmon and Jeffrey Harmon own a majority interest in HB.

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. In exchange for the promotion and marketing services provided by HB, we paid \$239,275 to HB in 2021.

Investor Rights and Voting Agreement

We entered into an Investor Rights and Voting Agreement, or Investor Agreement, dated February 27, 2014, with certain of our 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 maintains the number of directors on the 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.

Wholly Owned Subsidiaries

We created VAS Portal, LLC, a wholly-owned subsidiary, in 2018. We subsequently loaned VAS Portal, LLC \$100,000 in the form of a promissory note, with interest at 2.89%, and due in full on January 2, 2020. The promissory note was subsequently amended to change the maturity date to June 30, 2021. This note was paid in full during 2021.

On January 2, 2019, we sold VAS Portal, LLC to Harmon Ventures, LLC, which is owned indirectly by our CEO, Mr. Harmon, and two of his brothers, Jeffrey Harmon and Daniel Harmon, for \$1. The Company entered into a call option agreement with the related party that gives the Company the right to purchase all of the membership interest of VAS Portal, LLC for \$1 at any time beginning upon (i) the occurrence of the confirmation of the plan for reorganization by the Bankruptcy Court or (ii) the termination of the Disney Litigation and the Bankruptcy proceeding and ending one year following the latest to occur of the foregoing. As part of the transaction, VAS Portal, LLC, entered into a Services Agreement with us to provide technology services related to the creation of a website and other assets for VAS Portal, LLC.

On September 28, 2020, we exercised our call option to purchase all of the membership interest of VAS Portal, LLC., from Harmon Ventures, LLC, however, we learned in 2021 that the transaction was not approved by the Financial Industry Regulation Authority, or FINRA, due to the fact that we were unable to provide them with all requested data on the beneficial ownership of the entities that owned significant stakes in Angel Studios, and as such we currently have no ownership over VAS Portal, LLC.

On February 20, 2020, we sold assets related to work done to establish a regulated broker-dealer to Harmon Ventures, LLC. The assets were sold in a transaction negotiated and approved by the trustee appointed in our Bankruptcy Case. On September 28, 2020, we purchased all of the membership interest in Studio Brokerage, LLC. The entity had no operations through December 31, 2021.

We created Skip TV Holdings, LLC., a wholly-owned subsidiary, on September 15, 2020. The assets related to our content filtering business were all transferred and assigned to Skip TV Holdings, LLC. as part of our Reorganization Plan. All related assets and liabilities of Skip TV Holdings, LLC was sold to a third party in March 2021.

We created VidAngel Studios, LLC., a wholly-owned subsidiary, on September 15, 2020. Any assets not related to our content filtering business were transferred and assigned to VidAngel Studios, LLC. as part of our Reorganization Plan.

We created Angel Studios OF I, LLC., a wholly-owned subsidiary, on July 14, 2021. This entity was formed to purchase a fifty percent interest in the building and entity we lease our corporate office space in Provo, UT. This purchase took place in July 2021.

We are 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 us acts in good faith and in a manner reasonably believed to be in or not opposed to our best interest and/or those of our stockholder's. We did not have any outstanding loans or loan guarantees with any related party as of December 31, 2021.

On April 14, 2022, we entered into a promissory note (the "Note") with our Chief Financial Officer, Patrick Reilly, in the amount of \$142,113 which is secured by his Class A common stock. The maturity date on the Note is July 14, 2022. Interest on the Note will be calculated based on an annual rate of 5%, however if the Note is repaid in full before the maturity date, any interest due will be waived.

Item 6. Other Information

None.

16

Item 7. Financial Statements

ANGEL

STUDIOS

ANGEL STUDIOS, INC.

**Consolidated Financial Statements
As of December 31, 2021 and 2020
and For the Years Then Ended**

(Together with Independent Auditors' Report)

17

Report of Independent Registered Public Accounting Firm

**To the Board of Directors and Management of
Angel Studios, Inc.**

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Angel Studios, Inc. and subsidiaries (collectively, the Company) as of December 31, 2021, and the related consolidated statement of income, stockholders' equity (deficit), and cash flows for the year then ended, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for each of the one year ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and 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 of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence

regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Tanner LLC

We have served as the Company's auditor since 2016.
Salt Lake City, Utah
April 29, 2022

**To the Board of Directors and Management of
Angel Studios, Inc.**

We have audited the accompanying consolidated financial statements of Angel Studios, Inc. and subsidiaries (collectively, the Company), which comprise the consolidated balance sheet as of December 31, 2020, the related consolidated statement of income, stockholders' deficit, and cash flows for the year then ended, and the related notes to consolidated 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 consolidated financial position of the Company as of December 31, 2020, and the consolidated results of their operations and their 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
April 30, 2021

As of December 31,

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 24,258,513	\$ 11,022,292
Accounts receivable	10,440,538	1,205,520
Physical media inventory	1,869,913	785,888
Movie asset	-	40,000
Notes receivable, current	1,357,117	80,000
Prepaid expenses and other	3,706,963	582,399
Total current assets	41,633,044	13,716,099
Certificate of deposit	152,273	151,134
Property and equipment, net	714,307	165,412
Content, net	798,014	-
Intangibles, net	2,133,089	-
Digital assets, net	7,912,238	-
Investments in affiliates	957,811	-
Notes receivable, net of current portion	4,962,617	131,818
Other long-term assets	45,095	57,415
Total assets	\$ 59,308,488	\$ 14,221,878
<u>Liabilities and Stockholders' Equity (Deficit)</u>		
Current liabilities:		
Accounts payable	\$ 1,266,833	\$ 4,203,585
Accrued expenses	16,484,098	1,039,112
Deferred revenue	1,682,116	5,481,762
Current portion of accrued settlement costs	208,373	188,776
Total current liabilities	19,641,420	10,913,235
Accrued settlement costs, net of current portion	4,855,859	5,064,231
Deferred income tax liabilities, net	434,946	-
Total liabilities	24,932,225	15,977,466
Commitments and contingencies		
Stockholders' equity (deficit):		
Common stock, \$0.001 par value, 85,000,000 and 35,000,000 shares authorized, respectively; 24,699,664 and 21,569,311 shares issued and outstanding, respectively	24,699	21,569
Additional paid-in capital	39,538,876	13,563,758
Accumulated deficit	(5,187,312)	(15,340,915)
Total stockholders' equity (deficit)	34,376,263	(1,755,588)
Total liabilities and stockholders' equity (deficit)	\$ 59,308,488	\$ 14,221,878

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

For the Years Ended December 31,

	<u>2021</u>	<u>2020</u>
Revenues, net	\$122,793,064	\$ 46,942,397
Operating expenses:		
Cost of revenues	77,129,092	25,542,998
Selling and marketing	15,940,749	8,643,129
General and administrative	11,770,089	3,754,605
Research and development	4,939,002	2,202,012
Write-down of digital assets	2,737,658	-
Settlement from litigation and legal expenses	585,444	6,611,305
Total operating expenses	<u>113,102,034</u>	<u>46,754,049</u>
Operating income	<u>9,691,030</u>	<u>188,348</u>
Other income (expense):		
Gain on disposal of business	8,275,272	-
Interest expense	(514,385)	(243,354)
Interest income	485,873	70,716
Total other income (expense), net	<u>8,246,760</u>	<u>(172,638)</u>
Income before income tax provision	17,937,790	15,710
Income tax provision	<u>819,179</u>	<u>100</u>
Net income	<u>\$ 17,118,611</u>	<u>\$ 15,610</u>
Net income per common share basic	\$ 0.755	\$ 0.001
Net income per common share diluted	\$ 0.702	\$ 0.001
Weighted average common shares outstanding basic	22,671,810	21,566,260
Weighted average common shares outstanding diluted	24,397,122	22,612,886

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity (Deficit)

For the Years Ended December 31, 2021 and 2020

<u>Common Stock</u>				Additional	Total	
Class A	Class B	Class C	Class F			Paid-in

	Shares	Shares	Shares	Shares	Amount	Capital	Deficit	(Deficit)
Balance as of December 31, 2019	18,246,831	3,313,335	-	-	\$ 21,560	\$ 13,466,838	\$ (15,356,525)	\$ (1,868,127)
Stock options exercised	9,145	-	-	-	9	2,917	-	2,926
Stock-based compensation expense	-	-	-	-	-	94,003	-	94,003
Net income	-	-	-	-	-	-	15,610	15,610
Balance as of December 31, 2020	18,255,976	3,313,335	-	-	\$ 21,569	\$ 13,563,758	\$ (15,340,915)	\$ (1,755,588)
Stock options exercised	1,136,696	-	-	-	1,137	477,309	-	478,446
Issuance of Common Stock, net of issuance costs of \$388,665	1,962,573	561,745	456,364	-	2,981	26,785,724	-	26,788,705
Transfer of Common Stock	(52,056)	-	52,056	-	-	-	-	-
Repurchase of Common Stock	(460,962)	(526,063)	-	-	(988)	(1,818,510)	(6,965,008)	(8,784,506)
Stock-based compensation expense	-	-	-	-	-	530,595	-	530,595
Net income	-	-	-	-	-	-	17,118,611	17,118,611
Balance as of December 31, 2021	<u>20,842,227</u>	<u>3,349,017</u>	<u>508,420</u>	<u>-</u>	<u>\$ 24,699</u>	<u>\$ 39,538,876</u>	<u>\$ (5,187,312)</u>	<u>\$ 34,376,263</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the Years Ended December 31

	2021	2020
Cash flows from operating activities:		
Net income	\$ 17,118,611	\$ 15,610
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	303,706	89,754
Stock-based compensation expense	4,592,235	94,003
Investments in affiliates gain	(12,551)	-
Impairment of digital assets	2,737,658	-
Gain in disposal of business	(8,275,272)	-
Settlement from litigation	-	5,297,359
Impairment of movie asset	-	930,372
Change in deferred income taxes	434,946	-
Changes in operating assets and liabilities:		
Accounts receivable	(9,235,018)	(571,939)
Holdback receivable	-	445,000
Physical media inventory	(1,084,025)	(679,099)
Prepaid expenses and other assets	(3,139,659)	(562,242)
Content	(820,788)	-
Deposits	(5,500)	(9,500)
Note receivable	-	(104,330)
Certificate of deposit	(1,139)	75,038
Accounts payable and accrued expenses	12,508,233	3,427,800
Deferred revenue	141,993	1,400,540
Accrued settlement costs	-	(44,352)
Net cash and cash equivalents provided by operating activities	<u>15,263,430</u>	<u>9,804,014</u>
Cash flows from investing activities:		

Purchases of property and equipment	(780,435)	(219,103)
Purchases of intangible assets	(2,188,489)	-
Investments in affiliates	(945,260)	-
Issuance of note receivable	(1,660,891)	-
Repayments of note receivable	846,318	-
Disposition of business	(880,787)	-
Purchase of certificate of deposit	-	(150,000)
Net cash and cash equivalents used in investing activities	(5,609,544)	(369,103)
Cash flows from financing activities:		
Exercise of stock options	478,446	2,926
Repayment of accrued settlement costs	(188,775)	-
Issurance of common stock	12,465,834	-
Repurchase of common stock	(8,784,506)	-
Equity financing fees	(388,664)	-
Net cash and cash equivalents provided by financing activities	3,582,335	2,926
Net increase in cash and cash equivalents	13,236,221	9,437,837
Cash and cash equivalents at beginning of year	11,022,292	1,584,455
Cash and cash equivalents at end of year	<u>\$ 24,258,513</u>	<u>\$ 11,022,292</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 518,368	\$ 132,537
Cash paid for income taxes	2,350,000	100
Supplemental disclosure of noncash financing activities:		
Class C share stock issuance	\$ 4,061,640	\$ -

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Description of Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

The Company comprises Angel Studios, Inc. and its wholly owned subsidiaries Dry Bar Comedy, LLC (a Utah limited liability company organized on January 20, 2017), Skip TV Holdings, LLC, (a Utah limited liability company organized on September 15, 2020 and sold in March 2021), Angel Studios Licensing, LLC, (a Utah limited liability company organized on September 15, 2020), Angel Studios OF I, LLC, (a Utah limited liability company organized on July 14, 2021) and Studio Brokerage, LLC (a Utah limited liability company organized on October 8, 2019) (collectively, the Company). Angel Studios, Inc. was originally organized as a Utah limited liability company on November 13, 2013. On February 7, 2014, the entity converted to a Delaware corporation. The Company's mission is to share stories with the world that amplify light. This is done by aligning the Company's interests with those of the creators and the audience and utilizing the wisdom of crowds to help guide decisions on the content that gets created.

The Company filed for Chapter 11 bankruptcy on October 18, 2017 and operated its business as a debtor in possession under the jurisdiction of the court and in accordance with the applicable provisions of the Bankruptcy Code and the orders of the court until August 28, 2019. On that date, the United States Trustee appointed George B. Hofmann to serve as a chapter 11 trustee, and an order was subsequently entered by the court approving it. On September 4, 2020, the court confirmed the Company's Joint Plan of Reorganization

of Trustee and Studios which became effective on September 30, 2020. On November 17, 2020, the court issued a final decree closing the Chapter 11 bankruptcy case and discharging the trustee from his duties.

Principles of Consolidation

The consolidated financial statements include the accounts of Angel Studios, Inc. and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) 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 estimate for the allowance for doubtful accounts receivable, estimated economic useful lives of property and equipment, the period of use for capitalized content production costs, intangible assets, 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.

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, restricted cash, and cash equivalents will not be impacted by adverse conditions in the financial markets.

In 2021, the Company choose to further diversify and maximize returns on cash and cash equivalents balances that are not required to maintain adequate operating liquidity. As such, the Company may invest a portion of such cash and cash equivalents in certain specified alternative reserve assets. Thereafter, the Company invested an aggregate of approximately \$10,600,000 in bitcoin under this policy as of December 31, 2021. The Company believes their bitcoin holdings are highly liquid. However, digital assets may be subject to volatile market prices, which may be unfavorable at the time when the Company wants or needs to liquidate them. As of December 31, 2021, the Company recorded an impairment of \$2,737,658 on the digital assets.

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:

	2021	2020
Vendor A	59%	63%
Vendor B	17%	N/A
Vendor C	N/A	10%

No individual customers had revenues that were 10% or more of total revenues for the years ended December 31, 2021 and 2020.

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, 2021, and 2020, these cash equivalents consisted of money market accounts.

Accounts Receivable

The Company records its accounts receivable at sales value and establishes specific reserves for those customer accounts identified with collection problems due to insolvency or other issues. The Company's accounts receivable are considered past due when payment has not been received within 30 days of the invoice date. The amounts of the specific reserves are estimated by management based on various assumptions including the customer's financial position, age of the customer's receivables, and changes in payment schedules and histories.

Account balances are charged off against the allowance for doubtful accounts receivable when the potential for recovery is remote. Recoveries of receivables previously charged off are recorded when payment is received. The allowance for doubtful accounts receivable was \$0 as of December 31, 2021 and 2020.

Physical Media Inventory

Physical media inventory consists of DVD's, Blu-ray's, books and other merchandise purchased for resale, related to content Angel Studios is distributing. Physical media inventory is recorded at average cost. The Company periodically reviews the physical media inventory for excess supply, obsolescence, and valuations above estimated realization amounts, and provides a reserve to cover these items. Management determined that no allowance for physical media inventory was necessary as of December 31, 2021 and 2020.

Movie Asset

Movie asset includes DVD and Blu-Ray discs purchased by the Company for resale. The Company sold the movie asset during 2021 as part of the asset purchase agreement related to the filtering business, see Note 6, and thus wrote down the inventory as of December 31, 2020 to the amount that was movie asset was purchased for which was \$40,000. The write down was \$930,372 and is included in operating expenses in the consolidated statements of income as of December 31, 2020.

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
Production equipment	1 year
Leasehold improvements	1 year
Furniture and fixtures	3 years
Warehouse equipment	3 - 5 years
Computer software	2 years

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.

Content

The Company produces content for Dry Bar Comedy shows that are recorded and streamed through various channels. The Company capitalizes costs associated with the production, including development costs, direct costs and production overhead. The Company amortizes the content assets in cost of revenues on the consolidated statements of income over the period of use, which we estimate to be 10 years, beginning with the month of first availability. The amortization is calculated using the straight-line method.

Intangible Assets

Intangible assets consist of domain names the company has acquired and is stated at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated economic useful lives of the domain names of approximately 30 years.

Digital Assets

The Company holds bitcoin (a "digital asset") and accounts for all digital assets held as indefinite-lived intangible assets in accordance with *ASC 350, Intangibles—Goodwill and Other*. The digital assets are initially recorded at cost and are subsequently remeasured on the consolidated balance sheets at cost, net of any impairment losses incurred since acquisition.

An analysis is performed each reporting report to identify whether events or changes in circumstances, principally decreases in the quoted prices on active exchanges, indicate that it is more likely than not that the digital assets are impaired. In determining if an impairment has occurred, the Company considers the lowest market price of one unit of digital asset quoted on the active exchange since acquiring the digital asset. If the then current carrying value of a digital asset exceeds the fair value so determined, an impairment loss has occurred with respect to those digital assets in the amount equal to the difference between their carrying values and the price determined.

Impairment losses are recognized within write-down of digital assets in the consolidated statements of operations in the period in which the impairment is identified. The impaired digital assets are written down to their fair value at the time of impairment and this new cost basis will not be adjusted upward for any subsequent increase in fair value. Gains will not be recorded until realized upon sale(s). In determining the gain to be recognized upon sale, the Company will calculate the difference between the sales price and carrying value of the digital assets sold immediately prior to sale.

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. As of December 31, 2020, the Company recorded an impairment loss to its Movie Asset of \$930,372 due to a one-time write down to the estimated liquidation value of the asset. No significant write-downs occurred during 2021.

Investments in Affiliates

Investments in affiliates represent the Company's investments in a noncontrolling interest real estate joint venture. The Company's investments where the Company has significant influence, but does not control and joint ventures which are variable interest entities (VIE) in which the Company is not the primary beneficiary, are recorded under the equity method of accounting in the accompanying consolidated financial statements.

Under the equity method, the Company's investment is stated at cost and adjusted for the Company's share of net earnings or losses and reduced by distributions. Equity in earnings is recognized based on the Company's ownership interest in the earnings of the VIE.

Revenue Recognition

The Company recognizes revenue when a customer obtains control of promised products or services. The amount of revenue recognized reflects the consideration that the Company expects to be entitled to receive in exchange for these products or services. To achieve the core principle of Topic 606, the Company applies the following five steps: 1) Identify the contract with the customer; 2) Identify the performance obligations in the contract; 3) Determine the transaction price; 4) Allocate the transaction price to performance obligations in the contract; and 5) Recognize revenue when or as the Company satisfies a performance obligation. The following components represent the most significant portions of revenue being recognized:

Filtering Subscription Revenue

Prior to the sale of VidAngel (see Note 6), the Company offered subscriptions to use its proprietary content filtering technology in conjunction with many of today's popular streaming services for a monthly fee. Customers subscribe for this service online through the Company's website. The customer is charged the full price at the start of the subscription period, and monthly thereafter, which amount is initially recognized as deferred revenue and recognized as revenue daily as the subscription service is provided. During the time that the customer owns a subscription, the Company gives the customer access to its 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 to use in conjunction with other popular video streaming platforms. Access to this technology is available during the entire period of the subscription and is extinguished at the end of the subscription period in which the customer cancels their subscription. Any incentive allowances provided to customers such as credits and free subscription periods are recorded as reductions of revenue. Filtering subscription revenue is recognized over time, typically in daily increments as the customers pay on a monthly basis.

Digital and Physical Media Revenue

The Company has partnered with creators to distribute the creators licensed original content and related merchandise. Digital delivery represents streaming-based delivery of content via the Company's service. Physical media represents Blu-Ray, DVD discs, various books, and other intellectual property. Revenue is recognized as products are delivered upon streaming, or upon shipment of physical media. Digital and physical media revenue is recognized at a point in time – when streamed digitally, or when physically shipped.

Theatrical Release Revenue

Prior to the digital release of creators content, the Company might provide the option to pay for and watch certain content as part of a theatrical release. Revenue from these events are recognized at a point in time – when the theatrical showing actually takes place.

Content Licensing

The Company receives content licensing revenue by publishing its content on third-party platforms. The Company grants the third-party platforms a license to display the Company's content to the customers of the third-party platforms. The third-party platforms are interested in increasing traffic on their platforms, and the third-party platforms pay the Company based on impressions delivered, or the number of actions, such as clicks, taken by users viewing the Company's content via the third-party platforms. The Company recognizes revenue in the period in which the impressions or actions occur, at a point in time. The third-party platforms provide the Company monthly reports of the Company's revenue.

The following table presents the Company's revenue recognized over time or at a point in time (as previously described) for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Over time revenue	\$ 1,208,979	\$ 5,255,176
Point in time revenue	121,584,085	41,687,221
Total revenues, net	<u>\$122,793,064</u>	<u>\$46,942,397</u>

Stock-Based Compensation

Stock-based payments made to employees, including grants of employee stock options, are measured using a fair value-based method (see Note 8). 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 \$11,535,158 and \$6,943,060 for the years ended December 31, 2021 and 2020, respectively.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the consolidated 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.

Recent Accounting Pronouncements

In March 2019, the FASB issued ASU 2019-02, Improvements to Accounting for Costs of Films and License Agreements for Program Materials, in order to align the accounting for production costs of an episodic television series with the accounting for production costs of films by removing the content distinction for capitalization. ASU 2019-02 is effective for fiscal years beginning after December 15, 2020. The Company prospectively adopted ASU 2019-02 on January 1, 2021 and as such has included all costs for producing the Dry Bar Comedy content on its consolidated balance sheets, beginning with the period of adoption.

2. Property and Equipment

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

	<u>2021</u>	<u>2020</u>
--	-------------	-------------

Computer equipment	\$ 644,869	\$ 210,242
Production equipment	246,639	185,467
Leasehold improvements	238,280	119,502
Furniture and fixtures	190,801	97,465
Warehouse equipment	25,478	25,477
Computer software	73,004	19,998
	<u>1,419,071</u>	<u>658,151</u>
Less accumulated depreciation and amortization	<u>(704,764)</u>	<u>(492,739)</u>
	<u>\$ 714,307</u>	<u>\$ 165,412</u>

Depreciation and amortization expense on property and equipment for the years ended December 31, 2021 and 2020 was \$225,532 and \$89,754, respectively. The company wrote-off approximately \$13,507 in assets that were either fully depreciated or sold as part of the VidAngel disposition.

3. Content assets

Content consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Content	\$ 820,788	\$ -
Less accumulated amortization	<u>(22,774)</u>	<u>-</u>
	<u>\$ 798,014</u>	<u>\$ -</u>

Amortization expense on content for the years ended December 31, 2021 and 2020 was \$22,774 and \$0, respectively.

4. Intangible assets

Intangible assets consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Domain names	\$2,188,489	\$ -
Less accumulated amortization	<u>(55,400)</u>	<u>-</u>
	<u>\$2,133,089</u>	<u>\$ -</u>

Amortization expense on intangible assets for the years ended December 31, 2021 and 2020 was \$55,400 and \$0, respectively.

5. Accrued Settlement Costs

In September 2020, the Company recorded an expense on the statement of operations and an accrued settlement cost on the consolidated balance sheets for \$5,297,359 as a result of a settlement from a litigation claim. The total amount of the damages awarded in the litigation was \$9,900,000, payable over 14 years without interest, which was recorded as an expense of \$5,297,359 during the year ended December 31, 2020. The Company recorded the present value of the \$9,900,000 with an imputed interest rate of 10%. Payments of \$176,786 are due quarterly. As of December 31, 2021, and 2020, the outstanding balance on the consolidated balance sheets is \$5,064,232 and \$5,253,007, respectively.

If the Company does not have any uncured payment faults and does not default on their settlement promises during the first three years, the Company can elect to pay the remaining balance on the note, less a discount of \$2,100,000. The Company can elect to extend this option an additional 2 years.

The following table summarizes the scheduled maturities of the accrued settlement costs for the five years subsequent to December 31, 2021:

<u>Year Ending December 31:</u>	<u>Amount</u>
2022	\$ 208,373
2023	230,005
2024	253,882
2025	280,238
2026	309,331
Thereafter	<u>3,782,403</u>
	<u>\$ 5,064,232</u>

6. Disposition of Business

On March 1, 2021, the Company entered into an agreement to sell substantially all the assets and liabilities of the Company's content filtering service. As part of this transaction, the Company paid cash to the buyer to provide liquidity to the business and the buyer entered into a note with the Company and is required to pay \$9,900,000 over 14 years, or \$7,800,000 if paid within 5 years. If the buyer defaults under any of its obligation under the agreement, they will be required to transfer and assign all assets and liabilities back to the Company for no consideration. As of December 31, 2021, and 2020, the outstanding balance on the consolidated balance sheets is \$5,160,950 and \$0, respectively. The Company recognized a gain on the disposal of the business of \$8,275,272 as follows:

Assets and liabilities sold:	
Movie inventory	\$ (40,000)
Deposits	(32,915)
Fixed assets	(6,008)
Deferred revenue	3,941,639
	<u>\$ 3,862,716</u>
Cash paid	\$ (880,787)
Deferred consideration as notes receivable	5,293,343
Total gain	<u>\$ 8,275,272</u>

7. Commitment 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.

Litigation is necessary to defend the Company. 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 and 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 received.

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 consolidated 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 April 29, 2022, the date the consolidated financial statements were available to be released, management has determined an adverse outcome on one or more of the claims is unlikely and has not accrued any estimated losses related to these matters.

Operating Leases

The Company has a non-cancelable office lease that matures on February 28, 2024, with monthly payments of \$30,000 that escalates by 5% in March of each year, and a second non-cancelable warehouse lease that matures on July 31, 2022, with an monthly lease amount of \$5,160. The future minimum lease payments under non-cancelable operating leases with terms of one year or more are as follows:

<u>Year Ending December 31:</u>	<u>Amount</u>
2022	\$ 411,120
2023	393,750
2024	66,150
	<u>\$ 871,020</u>

Rental expense under operating leases was \$393,020 and \$229,177 for the years ended December 31, 2021 and 2020, respectively.

8. 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 4,587,956, and 2,368,582 shares of Class A common stock authorized for grant to employees, officers, directors and consultants, as of December 31, 2021 and 2020, respectively. The Board of Directors determines the terms of each grant. Generally 25% of the options shall vest on the one-year anniversary of the vesting commencement date, and 1/36 of the remaining options shall vest each month and 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 936,101 and 76,647 shares available for grant under the Plan as of December 31, 2021 and 2020, respectively.

Stock-based compensation expense for the years ended December 31, 2021 and 2020 was \$530,595 and \$94,003, respectively. As of December 31, 2021 and 2020, the Company had \$2,501,080 and \$22,650 respectively, of unrecognized stock-based compensation costs related to non-vested awards that will be recognized over a weighted-average period of 3.55 and 2.27 years, respectively. The Company uses an estimated 30% forfeiture rate.

The following sets forth the outstanding common stock options and related activity for the years ended December 31, 2021 and 2020:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price Per Share</u>
Outstanding as of January 1, 2020	1,156,583	0.44
Granted	935,700	0.32
Exercised	(9,145)	0.32
Forfeited	<u>(43,271)</u>	0.32
Outstanding as of December 31, 2020	2,039,867	0.39
Granted	2,069,760	5.96

Exercised	(1,108,159)	0.42
Forfeited	(709,840)	3.40
Outstanding as of December 31, 2021	2,291,628	4.47

The following summarizes information about stock options outstanding as of December 31, 2021:

Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
33,311	2.46	\$ 0.18	33,311	\$ 0.18
10,000	2.84	0.30	10,000	0.30
620,635	7.55	0.32	614,949	0.32
188,500	3.39	0.50	188,500	0.50
49,000	4.56	0.82	49,000	0.82
419,895	9.20	3.42	164,284	3.42
647,487	9.61	8.63	14,268	8.63
322,800	9.84	8.90	1,327	8.90
2,291,628	8.26	\$ 4.47	1,075,639	\$ 0.96

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 as of December 31:

	2021	2020
Risk-free interest rate	0.49% - 1.15%	0.29%
Expected stock price volatility	50%	50%
Expected dividend yield	0%	0%
Expected life of options	5 years	5 years

As of December 31, 2021 and 2020, the aggregate intrinsic value of options outstanding was \$24,426,960 and \$6,224,051, respectively. As of December 31, 2021 and 2020, the aggregate intrinsic value of options exercisable was \$15,328,123 and \$5,573,786, 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.

9. Common Stock

The Company has authorized capital stock consisting of 85,000,000 shares of common stock, par value \$0.001 per share, or common stock, of which 27,500,000 shares have been designated as Class A common stock, 4,000,000 have been designated as Class B common stock, 38,000,000 have been designated as Class C common stock, and 15,500,000 have been designated as Class F common stock (collectively, Common Stock).

Voting Rights

The holders of each type of common stock shall vote together as a single class. Each outstanding share of Class A common stock and Class F common stock shall be entitled to five (5) votes on each matter to be voted on by the stockholders of the Company. Each outstanding share of Class B common stock shall be entitled to fifty-five (55) votes on each matter to be voted on by the stockholders

of the Company. Each outstanding share of Class C common stock shall be entitled to 1 (one) vote on each matter to be voted on by the stockholders of the Company.

Liquidation Rights

The holders of Common Stock outstanding shall be entitled to receive all of the assets and funds of the Company remaining and available for distribution. Such assets and funds shall be divided among and paid to the holders of Common Stock, on a pro-rata basis, according to the number of shares of Common Stock held by them.

Dividends

Dividends may be paid on the outstanding shares of Common Stock as and when declared by the Board, out of funds legally available, therefore.

Identical Rights

Holders of Common Stock shall have the same rights and privileges and rank equally with, and have identical rights and privileges as, holders of all other shares of the Common Stock, except with regard to voting rights as provided above.

Voluntary and Automatic Conversion into Class C Common Stock

Each one share of Class F common stock, Class A common stock, and Class B common stock shall be convertible into one share of Class C common stock at the option of the holder at any time. Each one share of Class F common stock, Class A common stock, and Class B common stock shall automatically convert into one share of Class C common stock upon certain criteria as defined in the amended and restated certification of incorporation.

Income per Share

The following table represents the Company's income per share for the years ending December 31:

	2021	2020
Numerator:		
Net income	\$17,118,611	\$ 15,610
Denominator:		
Weighted average basic shares outstanding	22,671,810	21,566,260
Effect of dilutive shares	1,725,312	1,046,626
Weighted average diluted shares	24,397,122	22,612,886
Basic earnings per share	\$ 0.755	\$ 0.001
Diluted earning per share	\$ 0.702	\$ 0.001

The Company reports earnings per share in accordance with Accounting Standards Codification (ASC) 260-10. Basic earnings per share includes no dilution and is computed by dividing net income available to common stockholders by the weighted average common shares outstanding for the period. Diluted earnings per share is calculated similarly to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the common shares were dilutive.

10. Related-Party Transactions

The Company has a marketing services contract with an entity owned by one of the Company's officers and stockholders. During the years ended December 31, 2021 and 2020, the Company incurred expenses of \$276,775 and \$0, respectively, to the related party for marketing services.

As of December 31, 2021 and 2020, the Company had a note receivable to an entity owned by one of the Company's officers and stockholders of approximately \$0 and \$100,000, respectively. During the years ended December 31, 2021 and 2020, the Company also recognized revenue of \$90,000 and \$0 from this entity for general and administrative services during the year.

On January 2, 2019, the Company sold its wholly owned subsidiary VAS Portal, LLC to a related party for \$1. On September 28, 2020, the Company exercised its option to repurchase VAS Portal, LLC from the related party for \$1, however, that transaction was not approved by the Financial Industry Regulation Authority, or FINRA. This entity is not consolidated with the Company as of December 31, 2021 and 2020. During 2021, as part of the issuance of Common Stock, the Company paid \$250,000 in issuance costs to this related party.

On February 20, 2020, the Company sold assets, related to its work on establishing a regulated broker-dealer, to a related party. The assets were sold in a transaction approved by the bankruptcy court and negotiated by the bankruptcy trustee. On September 28, 2020, the Company purchased one hundred percent (100%) of the ownership interest in Studio Brokerage, LLC from a related party. The entity that was purchased had no operations during the year ended December 31, 2021 and 2020.

In July 2021, the Company purchased a 50% interest in the entity that owns the building it leases its office space from. Lease payments made during the period of related party ownership was \$150,000 for the year ended December 31, 2021.

11. Income Taxes

The provision for income taxes differs from the amount computed at federal statutory rates as follows for the years ended December 31:

	2021	2020
Federal income tax at statutory rates	\$ 3,766,936	\$ 3,299
State income tax at statutory rates	718,762	4,041
Change in valuation allowance	(3,759,340)	(25,238)
Other	92,821	17,998
	<u>\$ 819,179</u>	<u>\$ 100</u>

Significant components of the Company's net deferred income tax assets (liabilities) are as follows as of December 31:

	2021	2020
Net operating loss carryforwards	\$ -	\$ 1,486,851
Depreciation and amortization	(117,969)	43,136
Accrual to cash adjustments	-	2,209,778
Accruals and reserves	155,009	19,575
Deferred gain on sale	(1,153,950)	-
Digital asset impairment	681,964	-
Valuation allowance	-	(3,759,340)
	<u>\$ (434,946)</u>	<u>\$ -</u>

As of December 31, 2021, the Company has no net operating loss (NOL) carryforwards available to offset future taxable income. The Company has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits.

12. Subsequent Events

Subsequent events have been evaluated through April 29, 2022, which is the date the consolidated financial statements were available to be issued. There are no subsequent events requiring disclosure. During 2022, the Company entered into a promissory note with a member of management in the amount of \$142,113 which is secured by his Class A common stock. The maturity on the note is July 14, 2022. Interest on the note will be calculated based on an annual rate of 5%, however if the note is repaid in full before the maturity date, any interest due will be waived.

Item 8. Exhibits**INDEX OF EXHIBITS**

The following exhibits are filed as part of this Form 1-K.

Exhibit Number	Description
1.1	Amended and Restated Certificate of Incorporation of Angel Studios, Inc., as amended on October 5, 2021, incorporated by reference to Exhibit 3.1 of our Form 1-U filed October 6, 2021.
1.2	Amended and Restated Bylaws of Angel Studios, Inc., as amended on October 5, 2021, incorporated by reference to Exhibit 3.2 of our Form 1-U filed October 6, 2021.
2.1	Investor Rights and Voting Agreement between Angel Studios, Inc. and certain investors, incorporated by reference to Exhibit 3.1 of our Form 1-A filed on September 22, 2016.
2.2	Amended and Restated Class B Stockholders Agreement between Angel Studios, Inc. and our Class B Common Stockholders, incorporated by reference to Exhibit 3.1 of our Form 1-U filed August 18, 2021.
3.1	Joint Plan of Reorganization of Trustee and Studios under Chapter 11 of the Bankruptcy Code, incorporated by reference to Exhibit 1.2 of our Form 1-U filed on September 15, 2020
3.2	Settlement Agreement, incorporated by reference to Exhibit 1.3 of our Form 1-U filed on September 15, 2020
3.3	Asset Purchase Agreement between Angel Studios, Inc. and VidAngel Entertainment, LLC., incorporated by reference to Exhibit 1.1 of our Form 1-U filed on March 5, 2021
6.1	Promotion and Marketing Services Agreement between Angel Studios, Inc. and Harmon Brothers, LLC.
6.2	EXCLUSIVE VIDEO-ON-DEMAND AND SUBSCRIPTION VIDEO-ON-DEMAND LICENSE AGREEMENT BETWEEN ANGEL STUDIOS, INC. AND THE CHOSEN, LLC

SIGNATURES

Pursuant to the requirements of Regulation A, the issuer has duly caused this Annual Report on Form 1-K to be signed on its behalf by the undersigned, thereunto duly authorized, in Provo, Utah on April 29, 2022.

Angel Studios, Inc.

By: /s/ Neal S. Harmon
 Name: Neal S. Harmon
 Title: Chief Executive Officer

Pursuant to the requirements of Regulation A, this report has been signed below by the following persons on behalf of the issuer in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Neal S. Harmon</u> Neal S. Harmon	Chief Executive Officer and Director (Principal Executive Officer)	April 29, 2022
<u>/s/ Patrick Reilly</u> Patrick Reilly	Chief Financial Officer (Principal Financial and Accounting Officer)	April 29, 2022
<u>/s/ Dalton Wright</u> Dalton Wright	Director	April 29, 2022

/s/ Paul Ahlstrom
Paul Ahlstrom

Director

April 29, 2022



PROMOTION AND MARKETING SERVICES ORDER FORM

Marketer: Harmon Brothers LLC 410 S. University Ave. Provo, UT 84601	Primary Contact: Kurt Horn Phone: 801-916-0702 Email: kurt@harmonbrothers.com
Client: Angel Studios 295 West Center Street Provo, UT 84604	Primary Contact: Jeff Harmon Phone: 801-471-3696 Email: jeff@angel.com

Effective Date: 07/23/21

This Promotion & Marketing Agreement Order Form (this “Order Form”) is made and entered into as of the Effective Date specified above, between Harmon Brothers LLC, a Delaware Limited Liability Company (“Marketer”) and **Client** (“Client”). This Order Form is entered into as part of, and subject to, that certain Promotion & Marketing Services Agreement between Marketer and Client executed on **[Date]** (the “Agreement”). In the event any conflicting terms or language exist between this Order Form and the Agreement, the terms of this Order Form shall control.

PROMOTION AND MARKETING SERVICES ORDER FORM

1. SERVICES AND DELIVERABLES. Marketer hereby agrees to provide the promotion and marketing services (the “Services”) and Deliverables (defined below) set forth in the table below for the service fees specified below. Unless otherwise specified below, the services fees are inclusive of all ordinary costs and expenses (for example, there will be no additional charges for location rental, equipment rental, insurance etc.). **Notwithstanding the foregoing, if Client selects a sponsor, spokesperson or actor (other than basic talent) for which additional fees may be charged, or elects to use media such as radio, television, or new media for which additional fees would be charged,** the costs of such sponsor, spokesperson, actor, or additional charges shall be mutually agreed upon in advance by Client and Marketer and then added accordingly to the fees set forth herein in a written addendum hereto.

Description:	Total:
Video Production and Partnership	\$570,000
<ul style="list-style-type: none"> One Hero Conversion Video and Campaign delivered on November 22, 2021. A full-length Hero Conversion video for Facebook/Instagram (aspect ratio to be determined by Creative Director) will be delivered on this date. The YouTube (16:9 aspect ratios) version will be delivered on November 24, 2021. Within 45 days of the YouTube delivery, up to eight (8) additional cut downs will be delivered. 	
<ul style="list-style-type: none"> Writer’s Retreat. Two-day retreat with the Harmon Brothers writing team Marketer will bring four possible concepts and narrow down to one concept and script. Client will give signoff on concept/ script at the retreat. 	
<ul style="list-style-type: none"> Additional video assets can be built at Client request and will be charged at an hourly rate of \$150/ hour. 	
<ul style="list-style-type: none"> Basic talent fees are included - celebrity pricing for writers/talent is extra as to be negotiated with the writers/ talent. This includes twenty-four (24) months of full global internet usage rights from first public distribution on the 	

basic talent for all Deliverables. Any TV, radio, new media, or print usage would be extra, as negotiated with the talent.	
• Client requirements subject to the terms outlined in section 5.1.3 of the Agreement.	
TOTAL SERVICE FEES (not including Agency Fee for Ad Buying services)	\$570,000

Questions concerning Harmon Brothers LLC Promotion and Marketing Services Order Form and Agreement may be addressed to:

Kurt Horn | 410 S. University Ave., Provo, UT 84601 | kurt@harmonbrothers.com | 801.916.0702



2. PAYMENTSCHEDULE. Payments for the Services shall be made in accordance with the following schedule:

Milestone:	Subtotal:
• Due upon execution of the Agreement and this Order Form and each month for the duration of the contract.	\$142,500/ month (\$570,000 subtotal)
TOTAL SERVICE FEES	\$570,000

3. TERMS AND CONDITIONS. The Services and associated Exhibits are provided under the terms and conditions of the Agreement and defined terms used, but not defined herein shall have the meaning given to the defined term in the Agreement.

4. TIMELINE. As described above. Any additional adjustments to this timeline must be agreed upon in writing by both Parties.

5. TALENTAGREEMENTS. The Parties acknowledge and agree that the Services and Deliverables may be subject to separate Talent agreements entered into by or among the Parties and third-party individuals or groups. This Order Form shall, to the greatest extent possible, be interpreted to be entirely consistent with the terms of such agreements.

6. OWNERSHIP OF ASSETS. Ownership of the Deliverables created under this Order Form are subject to the ownership and license provisions of Section 4.2 of the Agreement.

(Remainder of page intentionally left blank)

Questions concerning Harmon Brothers LLC Promotion and Marketing Services Order Form and Agreement may be addressed to:

Kurt Horn | 410 S. University Ave., Provo, UT 84601 | kurt@harmonbrothers.com | 801.916.0702





PROMOTION AND MARKETING SERVICES ORDER FORM SIGNATURE PAGE

Agreed effective as of: July 23, 2021

MARKETER

Signature: _____

Printed Name: _____

Title: _____

CLIENT

Signature: _____

Printed Name: _____

Title: _____

(Remainder of page intentionally left blank)

Questions concerning Harmon Brothers LLC Promotion and Marketing Services Order Form and Agreement may be addressed to:

Kurt Horn | 410 S. University Ave., Provo, UT 84601 | kurt@harmonbrothers.com | 801.916.0702



PROMOTION, MARKETING, AND

DISTRIBUTION AGREEMENT

(UPDATED 6-25-20)

This Promotion, Marketing, and Distribution Agreement (the “Agreement”) is entered into between Harmon Brothers LLC, a Utah limited liability company (“Marketer”) and the Client named on one or more Order Forms between Client and Marketer (the “Order Forms”). The terms of this Agreement shall apply to all Services provided under the Order Forms. Each of the Order Forms is subject

to the General Terms and Conditions set forth below. The Marketer and Client may be referred to individually as “Party” or together as “Parties.”

GENERAL TERMS AND CONDITIONS

RECITALS. Client and Marketer deem the following factors to be important to their decision to enter into the Agreement.

- (i) Marketer is in the business of providing internet-based and multi-media promotion and marketing services, including the design and implementation of promotional and web-based advertising campaigns; and
- (ii) Client desires to retain Marketer to provide certain promotional and advertising services in accordance with the Order Forms (the “Campaign”).

1. DEFINITIONS. Capitalized terms have the meanings set forth or referred to in this Section.

- 1.1. “Adspend Fee” means a percentage of total dollars spent on paid advertising to promote any Deliverables, whether over internet, T.V. or radio channels and whether by Marketer, by client internally, or by client to any third-party.
- 1.2. “Business Day” means any day that is not a weekend or a state or national holiday recognized in the State of Utah.
- 1.3. “Deliverables” shall have the definition set forth in Section 4.2.
- 1.4. “Hero Conversion Video” refers to the signature Marketer video product. The Marketer’s business model is built around this product. It includes a full writing retreat with multiple writers and potentially multiple filming locations. It includes a full launch package with optimization testing, and the build-out of a website funnel where applicable.
- 1.5. “Intellectual Property” means any and all trade secrets, Trademarks, domain names, original works of authorship and related copyrights, and any other intangible rights protected or protectable under federal or applicable state laws.
- 1.6. “Services” means all work outlined in an Order Form to be performed by Marketer, for Client.
- 1.7. “Sidekick Video(s)” means a shorter video with a new, unique script or concept, but without the production complexity, writing retreat, digital effects, and conversion marketing elements included in the Marketer Hero Conversion Video product.
- 1.8. “Trademarks” means all rights in and to U.S. and foreign trademarks, service marks, trade dress, trade names, brand names, logos, corporate names and domain names, and other similar designations of source, sponsorship, association whether registered or unregistered.
- 1.9. “HB Lite Video”. While the Hero video is in our traditional “branded conversion” format with character development, humor, and a strong sales structure. This video is meant to drive top-line revenue while at the same time improving the character and integrity of the brand. This “lite” version is meant to give companies with lower marketing budgets an opportunity to work with Harmon Brothers. Costs are kept low during the actual production of the video. Harmon Brothers directs the brain dump, the writers retreat, the ad buying (optional) and the consulting (optional). This single long form video is also cut for social platforms such as Facebook, YouTube, and Instagram.
- 1.10. “Sprint Video” The objective of this video is sales with an emphasis on highlighting the problem and solution. This fits well for companies that are earlier stage, don’t have a strong brand and have lower marketing budgets. With this video we want to grow top line revenue as quickly as possible and prepare for a branded conversion video that will increase the integrity of the brand while at the same time grow revenue.
- 1.11. “Learning Ads Blitz” videos. 30 to 60 second videos whose aim is to hone in on more effective messaging, clarify messaging hierarchy, and drive down CPA’s to a level that allows Client to start scaling up customer acquisitions.

2. MARKETER SERVICES AND RESPONSIBILITIES.

- 2.1. Marketer Services. Marketer (including its Marketer Personnel (defined below)) shall provide the Services and Deliverables to Client in accordance with the terms of this Agreement and any Order Form in a timely, technically competent, professional and diligent manner consistent with industry standards and good business practices.

- 2.2. The Promotional and Marketing Campaign. Marketer will develop and launch marketing campaigns as set forth and described in an Order Form that reference and incorporate the terms of the Agreement, subject to Client's approval rights set forth below. This Agreement may govern more than one Order Form.

Questions concerning Harmon Brothers LLC Promotion and Marketing Services Order Form and Agreement may be addressed to:

Kurt Horn | 410 S. University Ave., Provo, UT 84601 | kurt@harmonbrothers.com | 801.916.0702



-
- 2.3. Timeliness of Performance. Marketer will meet all deadlines agreed to by the Parties in this Agreement or in any Order Form. Any delay caused by or materially contributed to by Client shall extend the affected deadline by the length of any delay caused or contributed to by Client, or for any period during which Client is delinquent in any payment due hereunder.
- 2.4. Marketer Campaign Personnel.
- 2.4.1. Marketer shall appoint an employee to serve as the primary contact, as set forth in the Order Form, who will have the authority to act on behalf of Marketer in connection with this Agreement and such Order Form (the "Primary Contact"). The Primary Contact shall supervise, direct, and be responsible for all employees and independent contractors of Marketer (the "Marketer Personnel") assigned to perform the Services. Client reserves the right to review the credentials of all Marketer Personnel designated or assigned, as applicable, by Marketer to perform the Services and in its reasonable discretion, reject such Marketer Personnel. Marketer will be solely responsible for employing all Marketer Personnel and for the payment of any and all fees or other payments required to be made to such Marketer Personnel, collectively, on account of their services under this Agreement in any regard, including, without limitation, securing all intellectual property rights, releases and assignments in particular or generally, as contemplated in this Agreement or in any Order Form. No Marketer Personnel will be, or will be deemed to be, the agent, employee or subcontractor of Client for any purpose whatsoever, and Client will have no duty, liability or responsibility of any kind to or for the acts or omissions of Marketer and its Marketer Personnel, assignees or delegates and their respective personnel, as the case may be.
- 2.4.2. Marketer shall use commercially reasonable efforts to maintain the same Primary Contact throughout the term of the respective Order Form.
- 2.4.3. Marketer shall be responsible for the payment of all compensation owed to the Marketer Personnel, including applicable wages, taxes, benefits, and insurance.
- 2.4.4. Marketer must enter into a written contract with each independent contractor with responsibilities and terms that are identical to, or substantially similar to, the terms of this Agreement respecting Representations and Warranties, Indemnification, Insurance, Intellectual Property Ownership, and Confidentiality. Marketer further agrees and acknowledges that it will assume all responsibility for managing, supervising and compensating all independent contractors of Marketer and the failure of any independent contractor of Marketer to perform their obligations in a timely, professional and technically competent manner will not excuse Marketer's performance or delivery obligations under this Agreement or any Order Form; but rather, in such event, Marketer will be solely responsible for completing those obligations in a timely, professional and technically competent manner as originally required under this Agreement and the applicable Order Form. Marketer may use third party providers as deemed necessary by Marketer provided that Marketer shall remain fully responsible for the performance of each third party.
- 2.5. Prior Approval. Prior to their public release, Marketer shall submit to Client for consultation and approval the Deliverables described in the Order Forms and any other materials that the Marketer proposes be displayed, published, reproduced, distributed or otherwise made publicly available as part of the Campaign. Within five (5) Business Days after receiving a submission and request for approval from Marketer, Client shall provide Marketer with written notice approving or disapproving the materials submitted. If the Client does not deliver written approval or rejection within

five (5) Business Days, the submission will be deemed approved. If Client gives timely written notice of disapproval of any materials, until Marketer revises the materials to the satisfaction of Client, the materials shall not be publicly released. Client shall not unreasonably withhold or delay approval. Content released solely for the purpose of testing and optimization is not considered a public release and thus does not require written approval from Client.

- 2.6. Marketer Free to Provide Services to Other Clients. Except as set forth below, Marketer retains the right to perform the same or similar type of services for other clients during the Term of this Agreement, provided that, Marketer shall exercise commercially reasonable care to ensure that it will not interfere with the performance or timeliness of performing the Services.
- 2.7. Meetings With Client. On Client's reasonable request, Marketer's Primary Contact and appropriate Marketer Personnel shall attend, in-person or telephonic meetings with Client to discuss the Services or the Campaign.
- 2.8. Marketer does not guarantee to Client any particular return on investment on the conversion video and the corresponding marketing campaign or otherwise from the Deliverables, Services or under this Agreement. Client accepts the risk that Marketer's past performance or success is not a guarantee of future results.
- 2.9. Marketer agrees that all discounts, rebates, credits, concession, or other cost reductions, if any, received by Marketer (whether for prompt payment, volume purchases or otherwise) for purchases made on Client's behalf will be directly passed on to Client in full.

3. CLIENT OBLIGATIONS AND RESPONSIBILITIES.

- 3.1. Client shall use commercially reasonable efforts to:
 - 3.1.1. Appoint and maintain throughout the Term a Client employee to serve as its primary contact (the "Client Primary Contact"), designated in the Order Forms, who will have the authority to act on behalf of Client with respect to the Agreement and Services.
 - 3.1.2. Provide copies of or access to such Client materials and product samples as Marketer may reasonably request in order to carry out and perform the Services in a timely, complete, and accurate manner (the "Client Materials"). Client is, and shall remain, the sole and exclusive owner of all right, title and interest in and to all Client Materials, including all Intellectual Property therein. Marketer shall have a limited non-exclusive license to view, reproduce, publish, display and distribute Client Materials during the Term of this Agreement to the extent reasonably necessary to provide the Services to Client.
 - 3.1.3. Respond promptly to Marketer requests to provide direction, information, approvals, authorizations or decisions that are reasonably necessary for Marketer to perform the Services in accordance with the requirements of this Agreement.

Questions concerning Harmon Brothers LLC Promotion and Marketing Services Order Form and Agreement may be addressed to:

Kurt Horn | 410 S. University Ave., Provo, UT 84601 | kurt@harmonbrothers.com | 801.916.0702



4. INTELLECTUAL PROPERTY RIGHTS; OWNERSHIP.

4.1. License to Certain Client Intellectual Property.

- 4.1.1. Subject the terms and conditions of this Agreement, Client grants Marketer a limited, non-exclusive, perpetual, irrevocable, royalty-free, non-transferable and non-sub licensable right and license to use, in connection with and for the purpose of Marketer's showcasing, promoting, and marketing of its own services as an advertiser and marketer to Clients and prospective Clients of Marketer, the following intellectual property found in the Deliverables:

- 4.1.1.1. Client's Trademarks, including, without limitation, Client's trade names, trade dress, and logos;
- 4.1.1.2. Client's domain names, website addresses, websites and URL's;
- 4.1.1.3. any Trademarks created by the Marketer on Client's behalf as part of the Services; or 4.1.1.4. any Deliverables ("Client Intellectual Property").

Marketer agrees and acknowledges that:

- 4.1.1.5. the Client Intellectual Property are, as between Marketer and Client, Client's property, 4.1.1.6. it will not challenge or contest the validity or exclusive ownership by Client of the Client Intellectual Property, or aid or abet anyone else in doing so;
- 4.1.1.7. it will not acquire or claim any rights in the Client Intellectual Property or aid or abet anyone else in doing so; and
- 4.1.1.8. it will not, except as provided in this Agreement, use or authorize the use of any trademark, trade name or other designation identical with or confusingly similar to the Client Intellectual Property. Marketer will cause copyright, patent and trademark notices to appear in association with all Deliverables created under this Agreement as may be required and approved by Client.

4.1.2. Any use by Marketer or any representative of Marketer of any of Client's Trademarks and all goodwill associated therewith shall inure to the benefit of Client.

4.2. Ownership of Deliverables.

4.2.1. Except with respect to elements in the public domain or third party rights of which Marketer has obtained a license and obtained Client prior written approval, all tangible or intangible property developed or prepared by Marketer for Client, or delivered by Marketer to Client for its use, during the Term of this Agreement, including, but not limited to, websites, funnels, layouts, copy, promotions, commercials, films, photographs, illustrations, transcriptions, software, literary and artistic materials, finished or unfinished, whether created by Marketer, Client or an independent contractor of Marketer, or any combination thereof, and all drafts and versions thereof (collectively, "Deliverables"), shall be and remain the exclusive property of Client. Marketer agrees, and will cause Marketer Personnel to agree, that with respect to any Deliverables that may qualify as "work made for hire" as defined in 17 U.S.C. § 101, such Deliverables are hereby deemed a "work made for hire" for Client. To the extent that any of the Deliverables do not constitute a "work made for hire," Marketer hereby irrevocably assigns, and shall cause the Marketer Personnel to irrevocably assign to Client all right, title and interest in and to the Deliverables, including all Intellectual Property therein.

4.2.2. Notwithstanding Client's ownership of the Deliverables, Marketer shall maintain and own the moral rights associated with the Deliverables.

4.2.3. Notwithstanding Client's ownership of the Deliverables, Client hereby grants Marketer the right to control the possession of all raw material for the Hero Conversion Video and the right to create all derivatives of the Hero Conversion Video for the benefit of Client.

4.2.4. Upon the reasonable request of Client, Marketer shall, and shall cause the Marketer Personnel to, promptly take such further actions, including execution and delivery of all appropriate instruments of conveyance, as may be necessary to assist Client to prosecute, register, perfect or record its rights in or to any Deliverables. In the event Marketer fails to execute any such documents when requested by Client, Client is hereby irrevocably granted such power of attorney to execute such documents on Marketer's behalf.

4.3. Third Party Rights. Unless otherwise provided in an Order Form, no third-party license (each a "License") is necessary for Client to receive or use the Services, or any of the Deliverables, in whole or in part. Notwithstanding the above, any such License must be approved by Client in an Order Form.

4.4. Marketer's Information. Notwithstanding anything to the contrary in this Agreement: (i) as part of Marketer's provision of the Services and Deliverables, Marketer may utilize proprietary works of authorship that have been created prior to

Marketer's performance of Services and Deliverables and for which no equipment, supplies or information or data of Client was used or which have been originated, developed or acquired by Marketer or by third parties under contract to Marketer (all of the foregoing, collectively, "Marketer's Information"); and (ii) Marketer's Information shall not be deemed to be Deliverables and is and shall remain the sole and exclusive property of Marketer. To the extent that Marketer incorporates any of Marketer's Information into the Deliverables, Marketer hereby grants to Client an irrevocable, perpetual, worldwide, royalty-free, fully paid up, non-exclusive, freely transferable license to use, have used, make, have made, offer for sale, sell, import, or otherwise dispose of, compile, decompile, disclose, copy, modify, display, distribute or create derivative works from Marketer's Information and to sublicense such Marketer's Information solely in connection with Client's use of the Services and Deliverables.

Questions concerning Harmon Brothers LLC Promotion and Marketing Services Order Form and Agreement may be addressed to:

Kurt Horn | 410 S. University Ave., Provo, UT 84601 | kurt@harmonbrothers.com | 801.916.0702



5. CLIENT'S PAYMENT OBLIGATIONS.

5.1. Fees and Expenses.

5.1.1. In consideration of the provision of the Services and the rights granted to Client under this Agreement, provided that Marketer is not in material breach of this Agreement, Client shall pay Marketer the sum(s) set forth in the Order Forms in accordance with the payment schedule therein.

5.1.2. Marketer shall invoice Client for all adspend amounts in advance and shall cease providing adspend management services at any time the Client's balance is depleted.

5.1.3. Delays to the production timeline due to Client delays including but not limited to: completion of the Client brain dump, delivery of product (including specs, photos, digital assets, accessibility, etc.), changes to dates for the writing retreat or production date, Client signoff of baseline script, selection of actor(s), legal approval of script or video content, Client delay of launch date, shall be subject to a minimum fee ("Change Order Fee") of \$5,000 plus any costs associated with changes (including rate changes, subcontractor or talent change order fees, etc.)

5.2. Payment.

5.2.1. Client shall pay all scheduled charges, as indicated in the Order Form, at the time they become due, and all invoiced amounts under Section 5.1 within thirty (30) calendar days after Client's receipt of such invoice, except for any amounts disputed by Client in good faith and in accordance with Section 5.4.

5.2.2. Client shall make all payments in US dollars by check or wire transfer in accordance with the following wire instructions:

- Harmon Brothers LLC
- Account #: 032735656
- Zions Bank's routing number: 124000054
- Zions Bank's SWIFT code: ZFNBUS55 (optional)
- Zions Bank's phone number: 800-974-8800

5.3. Taxes. All expenses payable by Client under this Agreement are exclusive of all sales, use and excise taxes, and any other similar taxes, duties and charges of any kind imposed by any Governmental Authority on such amounts. Client shall be responsible for all such charges, costs and taxes, except for any taxes imposed on, or with respect to, Marketer's income, revenues, gross receipts, personnel, or real or personal property or other assets.

5.4. Invoice Disputes. Within sixty (60) days after receiving an invoice, Client shall notify Marketer in writing of any invoice dispute, which writing shall include a reasonably detailed description of the nature of the dispute, any

substantiating documentation and the requested remedial action to resolve the dispute. Client will be deemed to have accepted all invoices for which Marketer does not receive timely notification of dispute, and shall pay all undisputed amounts due under such invoices within the period set forth in Section 5.2. The Parties shall seek to resolve all such disputes expeditiously and in good faith.

- 5.5. Late Payments. Except for amounts under dispute, Client shall pay interest on all late payments, calculated daily and compounded monthly at the rate of 0.5% per month or the legal rate permitted by applicable law (whichever is lower). Client shall also be obligated to reimburse Marketer for all reasonable costs incurred in collecting any late payments, including, without limitation, attorneys' fees.

6. REPRESENTATIONS, WARRANTIES, AND COVENANTS.

- 6.1. Mutual Representations, Warranties and Covenants. Each Party represents and warrants that:

- 6.1.1. it is a legal entity in good standing in the jurisdiction of its formation or registration, qualified to do business in every jurisdiction in which such qualification is required for purposes of this Agreement, except where the failure to be so qualified would not reasonably be expected to adversely affect its ability to perform its obligations under this Agreement;
- 6.1.2. it has not, and during the Term will not, enter into any oral or written contract or negotiations with any third party that would impair the rights granted to the other Party under this Agreement, nor is it aware of any claims or actions that may limit or impair any of the rights granted to the other Party hereunder; and
- 6.1.3. the execution of this Agreement and associated Order Forms and Exhibits has been duly authorized by all necessary corporate action of the Party and constitutes a legally binding undertaking.

- 6.2. Marketer Representations, Warranties and Covenants. Marketer represents, warrants and covenants to Client that:

- 6.2.1. it has, or shall obtain and shall maintain in full force and effect during the Term, all necessary licenses, permits, consents, rights, and authorizations as may be necessary in connection with the Campaign and provision of the Services and Deliverables;
- 6.2.2. it shall materially comply with, and use commercially reasonable efforts to ensure that all Marketer Personnel and third party providers comply with, all reasonable and customary policies and guidelines of Client that are communicated to Marketer in writing at the time of execution of this Agreement,

Questions concerning Harmon Brothers LLC Promotion and Marketing Services Order Form and Agreement may be addressed to:

Kurt Horn | 410 S. University Ave., Provo, UT 84601 | kurt@harmonbrothers.com | 801.916.0702



- 6.2.3. Client will receive good and valid title to all Deliverables, free and clear of all encumbrances and liens of any kind;

- 6.2.4. None of the Services, Marketer's Information, Deliverables or Client's use thereof infringe or will infringe any Intellectual Property or other right of any third party, and, as of the date hereof, there are no pending or threatened claims, litigation or other proceedings pending against Marketer by any third party based on an alleged violation by the Services or Deliverables of such third party Intellectual Property rights, in each case, excluding any infringement or claim, litigation or other proceedings to the extent arising out of (i) any Client Materials or any instruction, information, designs, specifications or other materials provided by Client to Marketer and for which any Marketer edits are not the cause of the claim, (ii) use of the Deliverables in combination with any materials or equipment not supplied or specified by Marketer, if the infringement would have been avoided by the use of the Deliverables not so combined, and (iii) any modifications or changes made to the Deliverables by or on behalf of

any Person other than Marketer Personnel; (e) Marketer's performance of its obligations under this Agreement and each Order Form and the Deliverables will not violate any local, state and federal laws, rules and regulations, including any state or federal law; and

6.2.5.no Deliverables do or will contain any content that contains false advertising, constitutes unfair trade or deceptive practices, or content that is or may be inaccurate, false, incomplete, unless that content is provided by Client, illegal, pornographic, obscene.

6.3. Client Representations, Warranties and Covenants. Client represents, warrants and covenants to Marketer that:

6.3.1.Prior to execution of this Agreement, it has provided Marketer with a copy of any applicable internal policies or procedures and a written description of any specifications or other requirements or restrictions applying to any of the Services or the Campaign; and

6.3.2.it has and shall maintain throughout the Term, all rights, licenses and consents required in connection with the Client Intellectual Property, including any such right or licenses required to lawfully use, and to authorize Marketer to use, any Client Intellectual Property or Client Materials provided to Marketer for use in connection with the Campaign.

6.4. NO OTHER REPRESENTATIONS OR WARRANTIES; NON-RELIANCE. EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS SECTION 6.4, (A) NEITHER PARTY TO THIS AGREEMENT, NOR ANY OTHER PERSON ON SUCH PARTY'S BEHALF, HAS MADE OR MAKES ANY EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY, EITHER ORAL OR WRITTEN, WHETHER ARISING BY LAW, COURSE OF DEALING, COURSE OF PERFORMANCE, USAGE, TRADE OR OTHERWISE, ALL OF WHICH ARE EXPRESSLY DISCLAIMED, AND (B) EACH PARTY ACKNOWLEDGES THAT IN MAKING ITS DECISION TO ENTER INTO THIS AGREEMENT IT HAS NOT RELIED UPON ANY REPRESENTATION OR WARRANTY MADE BY THE OTHER PARTY, OR ANY OTHER PERSON ON SUCH PARTY'S BEHALF, EXCEPT AS SPECIFICALLY PROVIDED IN SECTION 6 OF THIS AGREEMENT.

7. INDEMNIFICATION AND INSURANCE.

7.1. Client Indemnification Obligations. Client shall defend, indemnify and hold harmless Marketer, and its officers, directors, employees, agents, affiliates, contractors, successors and permitted assigns (collectively, "Marketer Indemnified Party"), from and against any and all claims, damages, expenses or losses arising out of or resulting from any third-party claim alleging:

7.1.1.material breach by Client or its personnel of any representation, warranty, covenant or other obligations set forth in this Agreement;

7.1.2.negligence or a more culpable act or omission of Client or its Personnel (including any recklessness or willful misconduct) in connection with the performance of its obligations under this Agreement; and

7.1.3.that any Client Materials or Client Intellectual Property or Marketer's receipt or use thereof in accordance with the terms of this Agreement infringes any Intellectual Property or other right of a third party, arising under the applicable federal or state laws.

7.2. Marketer Indemnification Obligations. Marketer shall defend, indemnify and hold harmless Client, and its officers, directors, employees, agents, affiliates, contractors, successors and permitted assigns (collectively, "Client Indemnified Party"), from and against any and all claims, damages, expenses and losses, arising out of or resulting from any third-party claim alleging:

7.2.1.material uncured breach by Marketer or its Marketer Personnel of any representation, warranty, covenant or other obligations set forth in this Agreement;

7.2.2.negligence or a more culpable act or omission of Marketer or its Marketer Personnel (including any recklessness or willful misconduct) in connection with the performance of its obligations under this Agreement;

7.2.3.that any Deliverables, Services, Marketer Information, Marketer’s Materials or Marketer’s Intellectual Property or Client’s receipt or use thereof, in accordance with the terms of this Agreement, infringes any Intellectual Property or other right of a third party;

7.2.4.any failure by Marketer or any Marketer Personnel to comply with applicable law, rule or regulation;

7.2.5.any bodily injury or loss of property claimed to result from any negligent act or omission of Marketer or any Marketer Personnel;

Questions concerning Harmon Brothers LLC Promotion and Marketing Services Order Form and Agreement may be addressed to:

Kurt Horn | 410 S. University Ave., Provo, UT 84601 | kurt@harmonbrothers.com | 801.916.0702



7.2.6. any contention that any Services and/or Deliverables constitute: 7.2.6.1.Libel, slander, and/or defamation;

7.2.6.1.Libel, slander, and/or defamation;

7.2.6.2.Piracy, plagiarism, misappropriation of another’s idea, confidential information, trade secrets or unfair competition; or

7.2.6.3.Invasion of rights of privacy or publicity.

7.2.7. any claims asserted by any guilds or unions for the nonpayment of performers for their services in connection with the production and/or use of any Services or Deliverables produced by Marketer on Client’s behalf; or

7.2.8. any information or data relevant to and substantiating all claims or representations developed by Marketer and made with respect to Client’s products or services, and/or any competitor, or any competitive products or services are false or fraudulent.

7.3. Indemnification Procedures. A party seeking indemnification under this Section 7 (the “Indemnified Party”) shall give the Party from whom indemnification is sought (the “Indemnifying Party”):

7.3.1. prompt notice of the relevant claim; provided, however, that failure to provide such notice shall not relieve the Indemnifying Party from its liability or obligation hereunder except to the extent of any material prejudice directly resulting from such failure; and

7.3.2. reasonable cooperation in the defense of such claim. The Indemnifying Party shall have the right to control the defense and settlement of any such claim; provided, however, that the Indemnifying Party shall not, without the prior written approval of the Indemnified Party, settle or dispose of any claims in a manner that affects the Indemnified Party’s rights or interest. The Indemnified Party shall have the right to participate in the defense at its own expense.

7.4. Marketer agrees to secure and maintain in full force and effect in its name and at its own expense throughout the Term of this Agreement, and for a reasonable period thereafter, the following insurance against liability arising out of this Agreement in the amount of \$2,000,000 for an umbrella policy, Commercial General Liability coverage with a limit of \$1,000,000 (for both per occurrence and aggregate) and a Commercial Auto Policy with a limit of \$1,000,000.All insurance policies will be with companies with an A.M. Best’s rating of not less than A-, VII and licensed to do business in all applicable states. The coverages identified above must be in forms and by carriers acceptable to Client. Client and Client Indemnified Party will be named as additional insureds on the above-mentioned policies. All policies will be primary over any coverage held by Client and contain a provision that the policy will not be cancelled, failed to be renewed or materially altered without thirty (30) days’ prior written notice to Client. Marketer agrees that the professional liability insurance will be maintained for two (2) years following the termination of this Agreement or Marketer will

purchase a tail coverage policy which will provide claims-incurred coverage within the required limits set forth above for any potential matters incurred during the term of this Agreement. Marketer waives and must require its insurers to waive all rights of subrogation of any of its insurers against Client and the Client Indemnified Party on account of any and all claims Marketer may have against Client or the Client Indemnified Party with respect to insurance actually carried or required to be carried pursuant to this Agreement. This subrogation waiver will preclude the assignment of any insurance claim against Client or any of the Client Indemnified Party by way of subrogation to any insurer. Marketer agrees to give immediately to each appropriate insurer, written notice, if required, of the terms of this waiver, and if necessary, have said insurance policies properly endorsed to prevent the invalidation of the insurance coverage by reason of this waiver, if required by the insurance policies. Marketer will indemnify, defend and hold Client and the Client Indemnified Party harmless against any loss or expense, including, without limitation, reasonable attorneys' fees, resulting from the failure to obtain such insurance subrogation waiver. Marketer will submit to Client Certificates of Insurance for all policies upon execution of this Agreement and upon any policy renewal thereafter. Any incidents, accidents, claims or potential claims of which Marketer has knowledge will be communicated to Client within fifteen (15) days of such knowledge.

8. LIMITATION OF LIABILITY.

8.1. EXCEPT FOR EACH PARTY'S INDEMNIFICATION OBLIGATIONS, A BREACH OF CONFIDENTIALITY OR THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A PARTY (COLLECTIVELY, "EXCLUDED CLAIMS"), IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, EXEMPLARY, SPECIAL OR PUNITIVE DAMAGES WHATSOEVER (INCLUDING DAMAGES FOR LOSS OF USE, REVENUE OR PROFIT, BUSINESS INTERRUPTION AND LOSS OF INFORMATION), WHETHER ARISING OUT OF BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, REGARDLESS OF WHETHER SUCH DAMAGE WAS FORESEEABLE AND WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

8.2. MAXIMUM LIABILITY. EXCEPT FOR THE EXCLUDED CLAIMS, EACH PARTY'S AGGREGATE LIABILITY ARISING OUT OF OR RELATED TO THIS AGREEMENT, WHETHER ARISING OUT OF OR RELATED TO BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, SHALL NOT EXCEED THE TOTAL SUM OF THE FEES AND EXPENSES INCURRED IN THE TWELVE (12) MONTHS PREVIOUS TO THE INCIDENT GIVING RISE TO THE CLAIM.

Questions concerning Harmon Brothers LLC Promotion and Marketing Services Order Form and Agreement may be addressed to:

Kurt Horn | 410 S. University Ave., Provo, UT 84601 | kurt@harmonbrothers.com | 801.916.0702



9. CONFIDENTIALITY.

9.1. From time to time during the Term, either Party (as the "Disclosing Party") may disclose or make available to the other Party, or its employees, affiliates, contractors or agents (the "Receiving Party") information about its business affairs and services, confidential information and materials comprising or relating to Intellectual Property, trade secrets, third-party confidential information and other sensitive or proprietary information, as well as the terms of this Agreement, whether or not marked, designated or otherwise identified as "confidential" (collectively, "Confidential Information"). Confidential Information does not include information that, at the time of disclosure :

9.1.1. is or becomes generally available to and known by the public other than as a result of, directly or indirectly, any breach of this Section 9 by the Receiving Party;

9.1.2. is or becomes available to the Receiving Party on a non-confidential basis from a third-party source, provided that such third party is not and was not prohibited from disclosing such Confidential Information;

- 9.1.3. was known by or in the possession of the Receiving Party prior to being disclosed by or on behalf of the Disclosing Party;
- 9.1.4. was or is independently developed by the Receiving Party without reference to or use of, in whole or in part, any of the Disclosing Party's Confidential Information; or
- 9.1.5. is required to be disclosed pursuant to applicable law. The Receiving Party shall:
 - 9.1.5.1. protect and safeguard the confidentiality of the Disclosing Party's Confidential Information with at least the same degree of care as the Receiving Party would protect its own Confidential Information, but in no event with less than a commercially reasonable degree of care;
 - 9.1.5.2. not use the Disclosing Party's Confidential Information, or permit it to be accessed or used, for any purpose other than to exercise its rights or perform its obligations under this Agreement; and
 - 9.1.5.3. not disclose any such Confidential Information to any Person, except to the Receiving Party's representatives who need to know the Confidential Information to assist the Receiving Party, or act on its behalf, to exercise its rights or perform its obligations under this Agreement. The Receiving Party shall, at the expiration or earlier termination of this Agreement or at the Disclosing Party's written request, promptly return all Confidential Information and copies thereof that it has received under this Agreement.

10. TERM AND TERMINATION.

- 10.1. Term. The term of this Agreement commences on the Effective Date (as defined below) and continues until completion of the Services outlined in Order Form(s), unless it is earlier terminated in accordance with the terms of this Agreement (the "Term").
- 10.2. Termination for Cause.
 - 10.2.1. Either Party may terminate this Agreement, effective upon written Notice, to the other Party (the "Defaulting Party") if the Defaulting Party:
 - 10.2.1.1. materially breaches this Agreement, and such breach is incapable of cure, or with respect to a material breach capable of cure (other than a failure by Client to make timely payments (a "Payment Failure"), which is separately addressed in Section 10.2(b), the Defaulting Party does not cure such breach within fifteen (15) days after receipt of written notice of such breach;
 - 10.2.1.2. becomes insolvent or is generally unable to pay its debts as they become due; 10.2.1.3. files or has filed against it, a petition for voluntary or involuntary bankruptcy or otherwise becomes subject, voluntarily or involuntarily, to any proceeding under any domestic or foreign bankruptcy or insolvency law;
 - 10.2.1.4. makes or seeks to make a general assignment for the benefit of its creditors;
 - 10.2.1.5. applies for or has appointed a receiver, trustee, custodian or similar agent appointed by order of any court of competent jurisdiction to take charge of or sell any material portion of its property or business;
 - 10.2.1.6. is dissolved or liquidated; or
 - 10.2.1.7. is unable to perform its obligations under this Agreement due to the occurrence of a Force Majeure Event that lasts for more than thirty (30) days.
 - 10.2.2. Marketer may terminate this Agreement, effective upon written Notice to Client if:
 - 10.2.2.1. a Payment Failure by Client continues for thirty (30) days after Client's receipt of written notice of nonpayment; or
 - 10.2.2.2. during the Term, more than one (1) Payment Failure occurs.

10.3. Termination Without Cause. Client may terminate this Agreement on thirty (30) days' prior written notice to Marketer subject to the following provisions:

10.3.1. All production and set-up fees already paid to Marketer at the time of Termination Without Cause will be considered earned, and Client agrees to forfeit fees paid and not to seek reimbursement or refund.

10.3.2. Any video content already created and delivered by Marketer under this Agreement at the time of Termination Without Cause remains subject to the percentages, minimums and terms set forth in the Order Forms and accompanying Exhibits.

10.3.3. Client shall pay any fees or costs that have been incurred by Marketer prior to the Termination but that have not yet been paid for by Client.

10.4. Effect of Expiration or Termination.

10.4.1. Expiration or termination of this Agreement will not affect any rights or obligations that:

10.4.1.1. are specifically noted as surviving the expiration or earlier termination of this Agreement; and

10.4.1.2. were incurred by the Parties prior to such expiration or earlier termination.

10.4.2. Upon expiration or termination of this Agreement for any reason, Marketer shall:

10.4.2.1. promptly deliver to Client all Deliverables (whether complete or incomplete) for which Client has paid and all Client Materials; and

10.4.2.2. provide reasonable cooperation and assistance to Client upon Client's written request and at Client's expense in transitioning the Services to an alternate marketer.

Questions concerning Harmon Brothers LLC Promotion and Marketing Services Order Form and Agreement may be addressed to:

Kurt Horn | 410 S. University Ave., Provo, UT 84601 | kurt@harmonbrothers.com | 801.916.0702



11. MISCELLANEOUS.

11.1. Further Assurances. Upon a Party's reasonable request, the other Party shall, at its sole cost and expense, execute and deliver all such further documents and instruments, and take all such further acts, necessary to give full effect to this Agreement.

11.2. Entire Agreement. This Agreement, including the Order Forms incorporated by reference and the related schedules attached hereto, constitutes the sole and entire agreement of the Parties with respect to the subject matter contained herein and therein, and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter.

11.3. Survival. Subject to the limitations and other provisions of this Agreement, (a) Section 6 (Representations, Warranties and Certain Covenants) shall survive the expiration or earlier termination of this Agreement after such expiration or termination; and (b) Section 5 (Client's Payment Obligations), Section 7 (Indemnification), Section 8 (Limitation of Liability), Section 9 (Confidentiality), Section 10 (Term; Termination), and Section 11 (Miscellaneous), of this Agreement, as well as any other provision that, in order to give proper effect to its intent, should survive such expiration or termination, shall survive the expiration or earlier termination of this Agreement.

11.4. Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder (each, a "Notice") shall be in writing and addressed to the parties at the addresses set forth in the Order Form (or to such other address that may be designated by the receiving party from time to time in accordance with this section). All Notices shall be delivered by personal delivery, pre-paid by nationally recognized overnight courier, by e-mail (to the email address provided in the Order Form), or certified or registered mail (in each case, return receipt requested, postage prepaid). Except as otherwise provided in this Agreement, (a) a Notice is effective upon receipt by the receiving party, and (b) if the party giving the Notice has complied with the requirements of this Section 11.4.

11.5. Interpretation. The Parties drafted this Agreement without regard to any presumption or rule requiring construction or interpretation against the Party drafting the instrument. The Order Forms and exhibits referred to herein are an integral part of this Agreement to the same extent as if they were set forth verbatim herein.

11.6. Headings. The headings in this Agreement are for reference only and do not affect the interpretation of this Agreement.

11.7. Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

11.8. Amendment and Modification. No amendment to or modification of this Agreement is effective unless it is in writing and signed by an authorized representative of each Party.

11.9. Waiver.

11.9.1. No waiver under this Agreement is effective unless it is in writing and signed by an authorized representative of the party waiving its right.

11.9.2. Any waiver authorized on one occasion is effective only in that instance and only for the purpose stated, and does not operate as a waiver on any future occasion.

11.9.3. None of the following constitutes a waiver or estoppel of any right, remedy, power, privilege or condition arising from this Agreement:

11.9.3.1. any failure or delay in exercising any right, remedy, power or privilege or in enforcing any condition under this Agreement; or

11.9.3.2. any act, omission or course of dealing between the Parties.

11.10. Equitable Remedies. Each Party acknowledges and agrees that

11.10.1. a breach or threatened breach by such Party of any of its obligations under Section 9 would give rise to irreparable harm to the other Party for which monetary damages would not be an adequate remedy and

11.10.2. in the event of a breach or a threatened breach by such Party of any such obligations, the other Party shall, in addition to any and all other rights and remedies that may be available to such Party at law, at equity or otherwise in respect of such breach, be entitled to seek equitable relief, including a temporary restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction, without any requirement to post a bond or other security, and without any requirement to prove actual damages or that monetary damages will not afford an adequate remedy.

11.11. Assignment. Neither Party may assign, transfer or delegate any or all of its rights or obligations under this Agreement, without the prior written consent of the other party, except in the event of a change of control or merger or acquisition in which case prior written consent is not required. No assignment shall relieve the assigning party of any of its obligations hereunder. Any attempted assignment, transfer in violation of the foregoing shall be void. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and permitted assigns.

Questions concerning Harmon Brothers LLC Promotion and Marketing Services Order Form and Agreement may be addressed to:



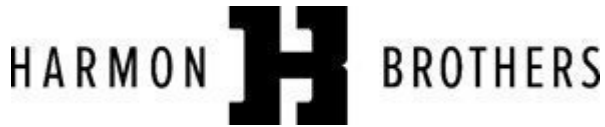
-
- 11.12.Choice of Law. This Agreement, including all documents and exhibits, schedules, attachments and appendices attached to this Agreement and thereto, and all matters arising out of or relating to this Agreement, shall be governed by, and construed in accordance with, the laws of the State of Delaware, United States of America without giving effect to any conflict of laws' provisions thereof. If either Party desires to submit Confidential Information to the court, they may only do so under seal or other form of non-public disclosure.
- 11.13.Choice of Forum. Each Party agrees that it will not commence any action, litigation or proceeding of any kind whatsoever against the other Party in any way arising from or relating to this Agreement in any forum other than the district courts of the State of Utah. Each Party irrevocably and unconditionally submits to the exclusive jurisdiction of such courts.
- 11.14.Counterparts. This Agreement may be executed in counterparts, each of which is deemed an original.
- 11.15.Force Majeure.
- 11.15.1.No Party shall be liable or responsible to the other Party, nor be deemed to have defaulted under or breached this Agreement, for any failure or delay in fulfilling or performing any term of this Agreement (except for any obligations to make payments to the other Party under this Agreement), when and to the extent such failure or delay is caused by or results from acts beyond the affected Party's reasonable control ("Force Majeure Event").
- 11.16.Verification. During the term of any Order Form entered into under this Agreement, and for a period of one (1) year after it's termination, either party may, upon ten (10) business days prior written notice and at its expense, audit the other party's compliance with the terms and conditions of any Order Form that is subject to this Agreement and that relate to computation and performance of payments and commissions under that Order Form, audit rights shall include access to all financial and sales information related to the services and payment therefore under the Order Form to be audited. Any such audit shall be conducted during regular business hours at the facilities of the party to be audited and shall not unreasonably interfere with such party's business activities. If an audit reveals any material non-compliance with the terms of the pertinent Order Form including any errors of payment comprising ten percent (10%) or more of a payment or commission hereunder, in addition to the enforcement of any other rights hereunder, the audited party shall also pay the auditing party's reasonable costs of conducting the audit. Audits shall be conducted no more than twice annually. The election to audit a party and the results of such audit shall be deemed Confidential Information hereunder.
- 11.17.Relationship of Parties. Nothing in this Agreement creates any agency, joint venture, partnership or other form of joint enterprise, employment or fiduciary relationship between the Parties. Marketer is an independent contractor pursuant to this Agreement. Neither Party has any express or implied right or authority to assume or create any obligations on behalf of or in the name of the other Party or to bind the other Party to any contract, agreement or undertaking with any third party.
- 11.18.Non-Solicitation. Marketer and Client each value and protect their respective contractor and employee relationships and shall not solicit the core employees or contractors of the other Party. Should Marketer or Client choose to recruit, and/or bring into their employ, or enter into a direct contractual relationship with a core team member of the other party outside of the scope of this Agreement. If either Party violates Section 11.18, they shall pay liquidated damages in the amount of \$50,000, which the Parties agree is reasonable compensation for the damages incurred by the non-breaching Party. For the purposes of this Agreement, upon request each party agrees to provide a list of names of core team members who are covered by this clause. This Section 11.18 shall expire one (1) year after Termination.

11.19.Ownership of Properties. As a general practice, Marketer maintains ownership of all props, sets, costumes, software, unused concepts created or used in the course of providing Deliverables and Services hereunder. Marketer maintains the right to use, repurpose, or dispose of such properties at Marketer’s discretion.

(Remainder of page intentionally left blank)

Questions concerning Harmon Brothers LLC Promotion and Marketing Services Order Form and Agreement may be addressed to:

Kurt Horn | 410 S. University Ave., Provo, UT 84601 | kurt@harmonbrothers.com | 801.916.0702



PROMOTION, MARKETING, AND DISTRIBUTION AGREEMENT SIGNATURE PAGE

Agreed effective as of: July 23, 2021

MARKETER

Signature: _____

Printed Name: _____

Title: _____

CLIENT

Signature: _____

Printed Name: _____

Title: _____

(Remainder of page intentionally left blank)

Questions concerning Harmon Brothers LLC Promotion and Marketing Services Order Form and Agreement may be addressed to:

Kurt Horn | 410 S. University Ave., Provo, UT 84601 | kurt@harmonbrothers.com | 801.916.0702





EXCLUSIVE VIDEO-ON-DEMAND AND SUBSCRIPTION VIDEO-ON-DEMAND LICENSE AGREEMENT

As of November 26, 2019

This Video-on-Demand and Subscription Video-on-Demand License Agreement (“Agreement”) is made as of this **26th day of November of 2019** (the “Effective Date”), by and between The Chosen, LLC, a Utah limited liability corporation with its principal place of business located at **4 S. 2600 W, Ste 5, Hurricane, UT 84737** (“Licensor”), and **VidAngel, Inc.**, a Delaware corporation located at **295 W. Center Street, Provo, Utah 84601** (“Licensee”) (referred to individually as “Party” or collectively, the “Parties”) with respect to licensing certain Physical Media, Video-on-Demand and Subscription-Video-On-Demand content defined herein as the “Licensed Materials.”

RECITALS

WHEREAS, Licensor is the owner of all rights in the Licensed Materials as defined below, including, without limitation, the right to license the exploitation of the work or series of works titled “The Chosen” (the “Content”), as provided herein;

WHEREAS, Licensor and Licensee are parties to the “Exclusive Video-On-Demand And Subscription Video-On-Demand License Agreement dated February 9, 2018 (the “Original License Agreement”);

WHEREAS, Licensor and Licensee desire to revoke and replace the Original License Agreement with this Agreement, which sets forth terms and conditions for a license under which Licensee may exploit the Licensed Materials worldwide.

NOW, THEREFORE, in consideration of the promises and agreements set forth herein, and good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties, each intending to be legally bound hereby, do promise and agree as follows:

ARTICLE 1

Definitions

1.1 “**Affiliate**” means any Entity, now or hereafter existing, that directly or indirectly owns, is owned by, or is under common control with, a Party to this Agreement.

1

1.2 “**Compensation**” means Licensor’s share of Net Physical Goods Profit, Net Physical Media Profit, Net VOD Profits or Net Physical Media Profits, as the case may be, from the exploitation of Physical Media, Other Physical Goods, VOD and SVOD content as set forth in sections 3.1.1 and 3.1.2, 3.1.3 together with any Angel Bonus earned by Licensor as set forth in section 3.1.4.

1.3 “**Derivative Works**” means new works created by Licensee from the Content the sole purpose of which is to be used for the promotion and marketing of the Content as licensed to Licensee hereunder.

1.4 “**Entity**” means a corporation, association, partnership, business trust, joint venture, limited liability company, proprietorship, unincorporated association, or other form that has or can exercise independent legal standing.

1.5 “**Gross VOD Receipts**” means all revenues, including without limitation, tips, received from the exploitation of VOD and SVOD content that Licensee is licensed to exploit (including, without limitation, the Licensed Materials). The Gross Receipts do not include revenues derived from content owned by Licensee.

1.6 “**Gross Other Physical Goods Receipts**” means all revenue received from the advertising, marketing, offer for sale, sale, or distribution of Other Physical Goods.

1.7 “**Gross Physical Media Receipts**” means all revenue received from the exploitation of Physical Media content that Licensee is licensed to exploit (including, without limitation, Licensed Materials). The Gross Physical Media Receipts do not include revenues derived from content owned by Licensee.

1.8 “**Intellectual Property Rights**” means any and all tangible and intangible: (a) rights associated with works of authorship throughout the world, including, without limitation, copyrights, neighboring rights, moral rights, and mask works, and all derivative works thereof (b) trademark and trade name rights and similar rights, (c) trade secret rights, (d) patents, designs, algorithms and other industrial property rights, (e) rights in the nature of unfair competition rights and rights to sue in passing off, (f) all other intellectual and industrial property rights (of every kind and nature throughout the world and however designated) whether arising by operation of law, contract, license, or otherwise, and (g) all registrations, initial applications, renewals, extensions, continuations, divisions or reissues thereof now or hereafter in force (including, without limitation, any rights in any of the foregoing).

1.9 “**International**” means countries, territories, possessions, and jurisdictions other than Nationwide.

1.10 “**Licensed Materials**” means the Content, including, without limitation, all component parts thereof owned, controlled, and/or licensed by Licensor, all Intellectual Property Rights therein and related thereto, and all Deliverables.

1.11 “**Nation**” and “**Nationwide**” mean the United States, its territories and possessions, and all places under its jurisdiction.

1.12 “**Net VOD Profits**” means the Gross VOD Receipts less twenty-five percent (25%) (applied to marketing), and less Licensee’s out-of-pocket VOD- and SVOD-related costs and expenses (including, without limitation, third-party processing fees and payment processing fees; fees charged by credit card issuers; fees charged by third-party apps and services, including, without limitation and by way of example, iTunes, Amazon, and Roku; returns; refunds; penalties; permits; licenses; and taxes).

1.13 “**Net Physical Media Profits**” means the Gross Physical Media Receipts less Physical Media-related out-of-pocket costs and expenses (including, without limitation, physical production costs, marketing costs, distribution costs and pre-distribution costs, third-party processing fees, payment processing fees, costs for providing any free stream that accompanies Physical Media, fees charged by credit card issuers, fees charged by third-party e-commerce platforms, applications and services; fees charged by resellers; return and warranty costs).

1.14 “**Net Other Physical Goods Profits**” means the Gross Other Physical Goods Receipts less Other Physical Goods-related out-of-pocket costs and expenses (including, without limitation, purchase costs, marketing costs, distribution costs, third-party processing fees, payment processing fees, and fees charged by credit card issuers).

1.15 “**Other Physical Goods**” means tangible, physical goods other than Physical Media (DVDs and Blu-Ray discs) that use the Licensed Materials or Licensor Marks, such as books, t- shirts, and other tangible, physical merchandise.

1.16 “**Physical Media**” means physical materials used to store, and enable exploitation of, the Content using the Digital Versatile Disc (DVD) data storage format or Blu-Ray data storage format by way of rental, subscription or sale for private viewing in any venue (including, without limitation, residences and hotels).

1.17 “**Release Date**” means a date mutually agreed by Licensee and Licensor for commencing the exploitation of the Licensed Materials. Licensee and Licensor anticipate that the Release Date will occur in conjunction with the 2019 Thanksgiving holiday, on November 26, 2019.

1.18 “**Subscription-Video-On-Demand**” (“SVOD”) means, without limitation, the exploitation of the Content, with or without VidAngel tipping included and with or without VidAngel pay it forward included, as part of a subscription service (including, without limitation, ad-supported or as part of basic programming) for private viewing in any venue (including, without limitation, residences, and hotels) delivered by any transmission means that allows each viewer to initiate a transmission at any time.

1.19 “**User Data**” means all data, in any form, collected by, for, or on behalf of Licensee (and any sublicensees) from and about the customers of Licensee (and any sublicensees) with respect to the Licensed Materials, viewers of the Licensed Materials, and other users of the Licensed Materials, including, without limitation, names, addresses, billing addresses, telephone numbers, re-marketing lists, app install ids, credit card information, email addresses, purchase histories, viewing histories, share histories, and sources of traffic, but excluding purchase histories, viewing histories, share histories, and sources of traffic with respect to third-party or Licensee- owned content.

1.20 “**Video-on-Demand**” (“VOD”) means, without limitation, the exploitation of the Content, with or without VidAngel tipping included and with or without VidAngel pay it forward included, as part of an a-la-carte service (including, without limitation, ad-supported or as part of basic programming) for private viewing in any venue (including, without limitation, residences, and hotels) delivered by any transmission means that allows each viewer to initiate a transmission at any time.

ARTICLE 2 **License**

2.1. Grant of License.

2.1.1. Scope and Rights. Subject to the terms and conditions set forth in this Agreement, Licensor hereby grants to Licensee:

(i) a Nationwide exclusive, sublicensable license to transmit, reproduce, distribute, publicly perform, display, create Derivative Works and otherwise exploit each season’s episodes of the Licensed Materials, including, without limitation, the Content, through any and all media now known or hereafter devised for one year following delivery to Licensee;

(ii) an International exclusive, sublicensable license to transmit, reproduce, distribute, publicly perform, display, create Derivative Works and otherwise exploit each season’s episodes of the Licensed Materials, including, without limitation, the Content, through any and all media now known or hereafter devised for one year following delivery to Licensee;

(iii) a worldwide exclusive, sublicensable license to transmit, reproduce, distribute, publicly perform, display, create works derivative of and otherwise exploit each season’s episodes of the Licensed Materials, including, without limitation, the Content, through any and all forms of VOD with tipping and through any and all forms of VOD with pay it forward;

4

(iv) a Nationwide nonexclusive, sublicensable license to transmit, reproduce, distribute, publicly perform, display, create works derivative of and otherwise exploit each season’s episodes of the Licensed Materials, including, without limitation, the Content, through any and all forms of VOD without tipping and through any and all forms of VOD without pay it forward;

(v) an International nonexclusive, sublicensable license to transmit, reproduce, distribute, publicly perform, display, create works derivative of and otherwise exploit each season’s episodes of the Licensed Materials, including, without limitation, the Content, through any and all forms of VOD without tipping and through any and all forms of VOD without pay it forward;

(vi) an exclusive Nationwide sublicensable license, during the License Term, to transmit, reproduce, distribute, publicly perform, display, create works derivative of and otherwise exploit the Licensed Materials, including, without limitation, the Content, through any and all forms of SVOD without tipping and through any and all forms of SVOD without pay it forward;

(vii) an exclusive International during the License Term, sublicensable license to transmit, reproduce, distribute, publicly perform, display, create works derivative of and otherwise exploit the Licensed Materials, including, without limitation, the Content, through any and all forms of SVOD without tipping and through any and all forms of SVOD without pay it forward;

(viii) a worldwide non-exclusive, sublicensable license to transmit, reproduce, distribute, publicly perform, display, create works derivative of and otherwise exploit the Licensed Materials, including, without limitation, the Content, through any and all forms of VOD without tipping and through any and all forms of SVOD without pay it forward;

(ix) a worldwide exclusive, sublicensable license to reproduce, distribute, publicly perform, display, create works derivative of and otherwise exploit the Licensed Materials, including, without limitation, the Content, through any and all forms of Physical Media; and

(x) a worldwide non-exclusive, sublicensable right to advertise, market, sell, offer for sale, and distribute the hardcopy book and/or e-book published by Broadstreet Publishing Group LLC (“Broadstreet”) called “The Chosen: 40 Days with Jesus” (“The Chosen Book”), subject to Licensee’s obligation to pay Licensor the Other Physical Goods Compensation.

The rights granted in section 2.1 shall include the right:

2.1.1.1. To use the title or titles by which the Content is or may be known or identified;

2.1.1.2. To employ any platform or app used by Licensee to distribute, publicly perform, display, or otherwise transmit content, including, without limitation, the Content, via VOD or SVOD using, by way of example and not limitation, Roku apps, Amazon Fire TV, Play Station, Apple TV, iTunes, and Licensee’s own website;

5

2.1.1.3. To use and perform all music, lyrics and musical compositions contained in the Content and/or recorded in the soundtrack thereof related to the distribution, exhibition, advertising, marketing, publicizing, and exploiting of the Content. The foregoing notwithstanding, the foregoing rights are only with respect to use of the music in context only as contained in the Content and not in connection with any other programming or as standalone soundtrack releases;

2.1.1.4. To dub (subject to review and approval from the Licensor) and or subtitle the Licensed Materials, including, without limitation, the Content, in any language;

2.1.1.5. To close caption the Licensed Materials, including, without limitation, the Content, in English, Spanish, Portuguese, Chinese, French, German, and any other language for which Licensee transmits or will transmit;

2.1.1.6. In connection with the Licensed Materials, to use Licensor’s name, logos, and/or trademarks (collectively, the “Licensor Marks”) for promotional purposes;

2.1.1.7. Subject to review and approval from the Licensor (not to be unreasonably withheld), to cut, edit, re-edit, reconfigure, shorten, lengthen, and time-compress the Licensed Materials, including, without limitation, the Content, subject only to any union or guild requirements that Licensor provides in writing to Licensee; provided that Licensor hereby consents to any direct or indirect filtering for content of the Licensed Materials; and

2.1.1.8. To publicize, advertise and exploit the Licensed Materials, including, without limitation, the Content, worldwide consistent with the Scope of Rights of the Grant of License during the License Term, including, without limitation, (i) to publish and to license and authorize others to publish in any language synopses, summaries, and stories of and excerpts from the Licensed Materials, including, without limitation, the Content, in newspapers, magazines, the Internet, and any other periodicals and in all other forms of advertising and publicity whatsoever not exceeding 7,500 words in length taken from the original material; (ii) broadcast by radio and television and to license and authorize others to so broadcast, in any language, or any parts or portions of the Licensed Materials, including, without limitation, the Content, not exceeding five (5) minutes in length; (iii) use, license and authorize others to use the name, physical likeness and voice (and any simulation or reproduction of any thereof) of any party rendering services in connection with the Content, and (iv) to use, license and authorize others to use any cover artwork and still images from the Content.

6

2.1.2. The rights granted in section 2.1 are collectively referred to in this Agreement as the “License.”

2.2. Term of License.

2.2.1. Subject to the six-month checkpoint set forth in section 3.5 and the perpetual licenses granted in section 2.2, this Agreement shall become effective on the Release Date and, unless terminated earlier pursuant to Article 7, shall continue for three years (the “Initial Term”). Following the expiration of the Initial Term, and subject to Article 7, the Agreement shall automatically renew for successive one-year terms (each such successive one-year term a “Renewal Term”) unless either Party delivers to the other Party written notice of its intent to terminate this Agreement not less than sixty (60) days prior to the expiration of the Initial Term or a subsequent Renewal Term. The Initial Term and each subsequent Renewal Term are collectively the “License Term.”

2.2.2. The International rights granted under sections 2.1(ii), 2.1(v) and 2.1(vii) may be terminated by either Party upon thirty (30) days of prior written notice.

2.2.3. Both Parties acknowledge and agree that the profit allocation for Physical Media Based Compensation and Other Physical Goods Compensation set forth in sections 3.1.2 and 3.1.3, respectively, is predicated upon the grant of International rights to Licensee. If the International rights granted under sections 2.1(ii), 2.1(v) and 2.1(vii) are terminated for any reason, then the Parties shall negotiate and adopt a new compensation scheme for Physical Media and Other Physical Goods that provides for additional marketing rights for Licensee and increased allocation of profit to Licensee as well as other commercially reasonable and appropriate terms.

2.3. Deliverables. Licensor shall provide Licensee with a master copy of each of the Licensed Materials in accordance with the deliverable requirements of Exhibit A, which shall be completed in good faith by the Parties and approved in writing within three business days after the Effective Date, including all applicable promotional materials, artwork and photographs, technical elements, metadata, advertising or product-offer tags and other related materials reasonably requested by Licensee (the “Deliverables”). Licensor shall deliver the Deliverables at least thirty (30) days prior to the Release Date. Licensee shall work in good faith with Licensor to complete the technical evaluation report and to determine whether any deliverable requirement of Exhibit A is unnecessary for the full exercise of Licensee’s rights hereunder.

2.4. Right of First Refusal. Licensee shall have a worldwide right of first refusal during the License Term with respect to all licensing rights of any nature or kind, now known or hereafter devised, with respect to the Licensed Materials. Notwithstanding the foregoing, the Parties agree that (i) Broadstreet may continue to publish, advertise, market, offer for sale, sell, and distribute The Chosen Book; and (ii) Licensor’s continued production, advertising, marketing, sale, offer for sale, and distribution of “The Chosen” t-shirts does not violate this right of first refusal.

2.5. Reservation of Rights. All rights not expressly granted by Licensor pursuant to this Agreement are reserved to Licensor. The Parties expressly and specifically agree that the Licensor shall retain the underlying copyright and ownership thereof in the Licensed Materials.

ARTICLE 3 Consideration and Accounting

3.1 Apportionment of Revenues. Licensor shall be compensated for the use of the Licensed Materials, including without limitation, the Content, as follows.

3.1.1 VOD- and SVOD-Based Compensation. Twenty-five percent (25%) of all Gross VOD Receipts shall be applied to marketing Licensee’s products and services, including, without limitation, the Licensed Materials. Licensor will be paid a guaranteed minimum of forty percent (40%) of the Net VOD Profit attributable to the Licensed Materials. The amount of Net VOD Profits attributable to the Licensed Materials shall be based on the number of hours of Content viewed by Licensee’s customers during the applicable quarter of the calendar or tax year calculated as a percentage of the total number of hours of all VOD and SVOD content watched by Licensee’s customers during that quarter.

3.1.2 Physical Media Based Compensation. Licensee shall pay Licensor seventy percent (70%) of Net Physical Media Profits, and the remaining thirty percent (30%) of Net Physical Media Profits shall belong to Licensee.

3.1.3 Other Physical Goods Compensation. Licensee shall pay Licensor seventy percent (70%) of the Net Other Physical Goods Profits, and the remaining thirty percent (30%) of Net Other Physical Goods Profits shall belong to Licensee.

3.1.4 Angel Bonus. In addition to guaranteed licensing payments of forty percent (40%) of the Net VOD Profits, Licensor will be eligible to be allocated a portion of revenue equal to an Angel Bonus as described in Exhibit B “Angel Bonus Program”.

3.1.5 Additional Compensation. The Parties acknowledge and agree that the amount of one hundred ninety three thousand nine hundred seventy two dollars (\$193,972 USD), represent Licensor’s share of Net Physical Goods Profit, Net Physical Media Profit, Net VOD Profits and/or Net Physical Media Profits, as the case may be, from the exploitation of Physical Media, Other Physical Goods, VOD and SVOD content prior to the Effective Date, under the Original Agreement or as may have been agreed by the Parties whether by course of dealing or otherwise (the “Additional Compensation”). Exhibit C sets forth a description of the Additional Compensation in more detail. Licensee shall pay Licensor the Additional Compensation forty- five (45) days after December 31, 2019.

3.2 Angel Bonus Pool. Licensee will, at a minimum, regularly commit a dollar amount equivalent to twenty percent (20%) of Net VOD Profits to the Angel Bonus Pool. Those funds will be used for the sole purpose of rewarding licensors for the performance of their licensed content in accordance with the Angel Bonus Program.

3.3 Accounting and Payment. Licensee shall keep proper books and records showing its Gross VOD Receipts, Net VOD Profits, Gross Physical Media Receipts, Net Physical Media Profits, Gross Other Physical Goods Receipts, Net Other Physical Goods Profits, Angel Bonus calculations, and Angel Bonus Pool contributions. Licensee will pay Licensor Licensor’s Compensation as per sections 3.1.1, 3.1.2, 3.1.3, and 3.1.4 with payments and statements due forty-five (45) days after the expiration of the applicable quarter. During the License Term, the applicable accounting periods shall coincide with the following fiscal quarters: January through March, April through June, July through September, and October through December. Following the initial term, the applicable accounting periods shall be annual, due in December. Licensee will account to Licensor in customary industry manner - which accounting shall include a summary of distribution activities, costs, and revenues. Notwithstanding the foregoing, no accounting shall be rendered for any period in which no receipts are received, and no distribution activities occur.

3.4 Dashboard. Licensee will provide a dashboard accessible to Licensor that will report on a daily basis the number of persons who subscribe to Licensee’s service for the purpose of watching the Content.

3.5 Checkpoint. Beginning six months after Licensee makes the Content available to the public and monthly thereafter, Licensee will provide Licensor with data sufficient to show what percentage of the persons who view the Content as part of a free trial thereafter subscribe to Licensee’s services. If under fifty percent (50%) of such persons remain subscribers of Licensee’s services after six months, Licensor will be permitted to shorten the one-year exclusivity period set forth in section 2.1.1(i) and 2.1.1(ii) to six (6) months.

3.6 Inspection of Records. Licensor may, at Licensor’s expense, but not more than once annually, audit those books and records of Licensee that pertain to the calculation of Licensor’s Compensation. Said audit shall be conducted by a certified public accountant selected by Licensor, subject to Licensee’s approval, during regular business hours, upon 30 days’ notice, in a manner that does not interfere with Licensee’s normal business activities. The auditor shall simultaneously provide a complete written copy of the audit results to Licensee and Licensor. If said audit uncovers an underpayment to Licensor, Licensee shall pay the underpayment within 60 days following receipt by Licensee of the audit results if Licensee agrees that the audit results are correct or, if a disagreement occurs, shall pay the undisputed amount and shall pay any remaining amount after the proper amount is determined. If any underpayment to Licensor exceeds ten percent (10%) of the total for the applicable reporting period, Licensee shall reimburse Licensor its reasonable out-of-pocket audit costs at the same time that Licensee pays the underpayment.

ARTICLE 4 Representations, Warranties, and Covenants

4.1 Representations, Warranties, and Covenants of Licensor. Licensor hereby represents, warrants, and covenants each of the following:

4.1.1 Licensor's Right and Authority to Enter into License Agreement. Licensor has the right and authority to enter into this Agreement, to grant the rights granted hereunder, and to fully perform all its obligations hereunder; Licensor either owns all rights in the Licensed Materials or controls the exhibition and distribution rights thereto; and no other third-party payments, approvals and/or licenses are necessary for Licensee's full use of the Licensed Materials according to the terms of this Agreement.

4.1.2 Licensor's Control of Licensed Materials. The entirety of the Licensed Materials and all performances of musical compositions contained in the Licensed Materials are owned or licensed by Licensor for use in and in connection with the Licensed Materials for the entire License Term, so that no payment of any kind shall be required by Licensee of any kind for their exploitation other than the License Fee; and in particular, no residuals, royalties, reuse fees, mechanical rights fees, or any other fees or costs of any kind shall be required for using any performance or composition contained in the Licensed Materials as contemplated herein.

4.1.3 Licensor's Control or Ownership of Exploitation Rights. With respect to the Licensed Materials, the non-dramatic public performance rights necessary for exhibition and exploitation of the Licensed Materials hereunder are owned by or licensed to Licensor and no additional clearance of, or payment with respect to, such rights of Licensee is required for use of the Licensed Materials.

4.1.4 Licensor's Payment of Production Costs. All costs of production of the Licensed Materials, including, without limitation, all compensation, laboratory costs, license fees, and royalties will be paid in full prior to delivery to Licensee of the Licensed Materials, except for any deferred costs, which shall be payable by Licensor.

4.1.5 Clear Title. There is no action, suit, or proceeding relating to the Licensed Materials pending, or, to the knowledge of Licensor, threatened, before any court, administrative or governmental body which might materially affect Licensee's rights hereunder.

4.1.6 Chain of Title. There are no defects in the chain-of-title to the Licensed Materials or any other literary, musical, or dramatic material upon which the Licensed Materials are based which would adversely affect any of Licensee's rights.

4.1.7 Consent to Use Name, Image, and Likeness. All persons who furnish services or grant rights in the Licensed Materials shall before the Effective Date have authorized pursuant to binding agreements with Licensor, which are hereby licensed to Licensee, the use of their names, likenesses, and biographical data in the advertising and promotion of the Licensed Materials in such manner as Licensee shall determine in its reasonable discretion.

4.1.8 Unencumbered Rights. Licensor's grant of rights is now and shall during the entire License Term (and any extension thereof) be clear, exclusive, unencumbered, and free of any charges or claims, security interests or mortgages.

4.1.9 Copyright Ownership. The copyright in the Content and the literary, dramatic, and musical material upon which it is based, or which is contained in the Content will be valid and subsisting during the License Term throughout the Territory, and no material part of the Content is in the public domain.

4.1.10 Non-Infringement. To the best of Licensor's knowledge, the Licensed Materials (including, without limitation, the plot, characters, title, action, dialogue, music, design, or the content thereof) shall not, nor shall the exploitation of the License by Licensee, violate or infringe any rights, including, without limitation, Intellectual Property Rights, of any kind or nature of any person, company, or entity.

4.2 Representations, Warranties, and Covenants of Licensee. Licensee hereby represents, warrants, and covenants to Licensor that, subject to Bankruptcy Court approval under section 8.1, it has the right and authority to enter into this Agreement and to fully perform all its obligations hereunder. Licensee also represents, warrants, and covenants that the collection, storage, use, transfer (including, without limitation, a transfer under section 7.2), and protection of all User Data shall comply with all applicable laws, including, without limitation, the General Data Protection Regulation of the European Union (to the extent the individuals are under the protection thereof) and that Licensee will comply with all other laws applicable to its exercise of its or their rights and the discharge of its or their duties and obligations under this Agreement. Licensee further represents, warrants, and covenants that any subsequent limitation to, or failure to provide Licensor with further assurances of, Licensee's ability to fully perform all its obligations hereunder throughout the term of this Agreement shall constitute a material breach and shall give Licensor the right to immediately terminate this Agreement by written notice to Licensee, notwithstanding the provisions of Article 7.1.

ARTICLE 5 Indemnification

5.1 Indemnification by Licensor. Licensor at all times shall defend, indemnify, and hold harmless Licensee and its Affiliates, and its and their employees, agents, successors, and assigns, from and against all claims, actions, damages and losses, liabilities, and expenses, including, without limitation, reasonable attorneys' fees, arising out of, or caused by any breach of any of the representations, warranties, covenants, undertakings, and agreements made by Licensor hereunder.

5.2 Indemnification by Licensee. Licensee at all times shall defend, indemnify, and hold harmless Licensor and its Affiliates, and its and their employees, agents, successors, and assigns, from and against all claims, actions, damages and losses, liabilities, and expenses, including, without limitation, reasonable attorneys' fees, arising out of or caused by any breach of any of the representations, warranties, covenants, undertakings and agreements made by Licensee hereunder.

ARTICLE 6 Confidentiality

6.1 Confidentiality. Each Party, on behalf of itself and its Affiliates, agrees not to disclose the terms or conditions of this Agreement to any third party without the prior consent of the other party. These confidentiality obligations are subject to the following exception: disclosure is permissible if required by the government, court order, or subpoena, if required by law or if required to enforce rights under this Agreement; provided the Party required to disclose first gives the other Party sufficient prior notice to enable the non-disclosing Party to seek a protective order, and reasonable steps are taken to maintain the confidentiality of this Agreement.

ARTICLE 7 Termination

7.1 Termination. If either Party breaches any material provision of this Agreement, the non-breaching Party may terminate the Agreement upon thirty (30) days' written notice to the breaching Party provided that during the thirty (30) day period, the breaching Party fails to cure such breach. Articles 4, 5, 6, 7, 8, and 9 and sections 10.1 and 10.5 through 10.15 shall survive any termination of this Agreement, whether by expiration of the License Term, operation of law, or earlier termination under this Article 7.

7.2 Post-Termination Rights. Upon termination of this Agreement under section 7.3:(i) Licensee shall provide Licensor a list of Derivative Works created pursuant to this Agreement, and Licensor shall have a right of first refusal to acquire such Derivative Works for an amount that adequately and appropriately reimburses Licensee for its reasonable costs and expenses actually incurred in creating and maintaining the Derivative Works; (ii) Licensor shall have all rights in the User Data in Licensee's possession or control that are necessary for Licensor to fully exploit such User Data, and Licensee shall immediately turn over to Licensor, at Licensor's expense, all such User Data; and (iii) Licensor may, in its discretion, require that Licensee return to Licensor, at Licensor's expense, all Licensed Materials.

7.3 Bankruptcy/Insolvency. After five business days written notice to Licensee, Licensor may immediately terminate this Agreement, and all rights and licenses granted hereunder, without any further compensation to Licensee, if: (i) Licensor has a reasonable insecurity of a conversion of Licensee's bankruptcy case from a Chapter 11 to a Chapter 7 or (ii) Licensee is prohibited or restricted in any material manner from using or exploiting the Licensed Materials as provided in this Agreement, including, without limitation, by the issuance of any court order, injunction, or judgment, by the acquisition of control of the operations or activities of Licensee by a creditor in bankruptcy, or by a sale, transfer, or liquidation of any material part of Licensee's business that relates to this Agreement.

ARTICLE 8 Approvals

8.1 Bankruptcy Court Approval. Each Party acknowledges and agrees that this Agreement and the transaction contemplated by it is subject to Bankruptcy Court approval, and that it will cooperate to seek and obtain such approval (including, without limitation, taking acts and executing further documents that may be reasonably necessary or appropriate for obtaining the approval). All provisions of this Agreement become null and void in the event that an order by the Bankruptcy Court approving execution of this Agreement by Licensee is not obtained or reversed.

ARTICLE 9 Ownership of Licensor Marks

9.1 Licensor Marks. The Parties agree that any and all uses of the Licensor Marks, and all goodwill generated thereby, shall inure to the benefit of and belong exclusively to Licensee and its successors and assigns. Licensee agrees to provide to Licensor, on request and for no cost, specimens of use of the Licensor Marks and sworn statements of use. Licensee agrees that, prior to using any of the Licensor Marks in any foreign jurisdiction, Licensee shall provide at least thirty days of prior notice to Licensor, to enable Licensor to conduct clearance searches or to file applications to register the Licensor Marks in that jurisdiction. If Licensor determines that the use of any Licensor Mark would infringe any third-party rights in that jurisdiction, Licensee agrees not to use the Licensor Mark in that jurisdiction. Licensee also agrees that the quality of all goods and services provided under the Licensor Marks shall be of the same general quality as those provided by Licensor and that Licensee will cooperate with Licensor's monitoring of that quality.

ARTICLE 10 Miscellaneous

10.1 Integration and Amendments. This Agreement constitutes the entire understanding of the Parties, and revokes and supersedes all prior agreements (whether written or oral, whether express or implied) between the Parties relating to the Licensed Materials, including, without limitation, the Original License Agreement. This Agreement shall not be modified or amended except in writing signed by the Parties and specifically referring to this Agreement. This Agreement shall take precedence over any other documents that may be in conflict herewith.

10.2 Insurance. Licensor agrees, at its expense, to maintain in force, throughout the License Term, an errors and omissions insurance policy with Licensee named as an additional insured. The policy shall provide coverage limits of at least one million dollars (\$1,000,000.00) per occurrence and one million dollars (\$1,000,000.00) in the aggregate. This policy shall provide that the insurer will give Licensee at least thirty (30) days' prior written notice of any cancellation or amendment of the policy

10.3 Advertising Materials. Licensor hereby grants to Licensee a limited, non-exclusive, non-transferrable, royalty-free license to use the Licensor Marks in Licensee's marketing materials, and Licensor agrees that Licensee may indicate in such materials that the parties have entered into a license agreement pertaining to the Content. Licensor may terminate Licensee's right to use the Licensor Marks, in whole or in part, by providing written notice to Licensee if Licensee's usage of the Licensor Marks does not adhere to Licensor's then-current written policies provided to Licensee regarding the use of Licensor Marks.

10.4 Liquidated Damages. Licensor acknowledges that the disclosure of the Dashboard Data described in section 3.4 or the Checkpoint Data described in section 3.5 to others might well result in competitive harm to Licensee and cause significant economic injury to it in a substantial amount that cannot now be calculated. Accordingly, the Parties agree that Licensor will be liable Licensee for liquidated damages of \$50,000 as compensation for the economic injury Licensee will as the result of an unauthorized disclosure of such data and not as a penalty.

10.5 Governing Law/Jurisdiction. The interpretation, construction, validity, performance, and enforcement of this Agreement shall be governed in accordance with the laws of the State of Utah, in the United States, as if performed wholly within Utah and without giving effect to the principles of conflicts of law. The exclusive jurisdiction and venue of any action regarding this Agreement shall be the United States Bankruptcy Court for the District of Utah, and each of the Parties submits itself to the exclusive jurisdiction and venue of that court.

10.6 Construction. References in this Agreement to “sections” and “Exhibits” are to sections and exhibits herein and hereto unless otherwise indicated. Except as specified in a particular context, the word “or” mean each as well as all alternatives. All terms defined in the singular form will have comparable meanings when used in the plural form and vice versa. This Agreement shall be construed as if the Parties had equal participation in drafting it.

10.7 Sublicensees. Licensee shall be responsible for its sublicensees’ compliance with the terms and conditions of this Agreement the same as if each sublicensee were Licensee itself, including, without limitation, the accounting for and payment of all Compensation applicable to the sublicensee’s exercise of the license rights granted by this Agreement. Licensee shall not grant a sublicense to any third party except pursuant to an enforceable, written sublicense agreement that is consistent with the terms and conditions of this Agreement.

10.8 Mediation. In the event of a dispute between the Parties, prior to commencing any litigation the Parties agree to enter into good faith non-binding mediation with a mediator mutually selected by the parties. The mediation will follow the Utah Rules of Civil Procedure and the Utah Rules of Evidence to the extent applicable. Such mediation shall take place in Salt Lake City, Utah. Each party shall pay its own costs of the mediation and the cost of the mediator shall be divided equally between the parties.

10.9 Force Majeure. Notwithstanding anything herein to the contrary, neither party shall be liable to the other in damages or otherwise owing to any failure to perform hereunder caused by fire; earthquake; flood; epidemic; accident; explosion; casualty; strike; lockout; labor action; riot; civil disobedience; act of a public enemy; embargo; war; declared disaster; act of God or force majeure; application of municipal, state or federal ordinance or law; act of a legally constituted executive authority, whether municipal, state or federal; or the issuance of any executive order. In no event, however, shall inclement weather be deemed or constitute an event of force majeure for any purpose of this Agreement.

10.10 Successors and Assigns. This Agreement shall be binding on and shall inure to the benefit of the Parties and their Affiliates, successors, and assigns. Nothing in this Agreement, express or implied, is intended to confer any rights or remedies hereunder on any person other than the Licensee or the Licensor, their respective Affiliates, and their respective successors and permitted assigns. No assignment of this Agreement or any of a Party’s rights and obligations hereunder shall be binding on either of the Parties without the written consent of the other.

10.11 Waiver. No waiver by either Party of any default hereunder shall be deemed as a waiver of any prior or subsequent default of the same or other provisions of this Agreement. A waiver shall only be valid if in writing.

10.12 Severability. If any provision of this Agreement, or the application of such provision to any person or party, in general or the circumstances, is determined to be invalid, illegal, or unenforceable in any respect by a court of competent jurisdiction, that invalidity, illegality, or unenforceability will not affect any other provision of this Agreement, and this Agreement will remain in full force and effect and be legally effective as if that illegal, invalid, or unenforceable provision were not a part of this Agreement.

10.13 Notices. All notices or consents shall be in writing and will be deemed effective upon (a) personal delivery or (b) receipt, if sent by overnight express or mailed by certified or registered mail, return receipt requested, postage prepaid, and addressed to the following:

For Licensor:

Attn: Derral Eves
The Chosen, LLC
4 S 2600 W, Ste 5
Hurricane, UT 84737

Copy to:

Burgee & Abramoff
20501 Ventura Blvd. #262
Woodland Hills, CA 91364

For Licensee:

Neal Harmon
VidAngel, Inc.

295 W. Center Street,
Provo, UT 84601

And:

George Hofmann
Cohne Kinghorn
111 East Broadway, 11th Floor
Salt Lake City, Utah 84111

10.14 Relationship of Parties. Nothing in this Agreement shall be construed to create among the Parties a partnership, joint venture, or principal and agent relationship, or to impose upon either Party any obligation for any loss, debt, or other obligation incurred by the other Party except as expressly set forth herein.

10.15 Section Headings. The headings of sections contained in this Agreement are inserted for convenience only and do not constitute part of this Agreement or affect the construction hereof. [*Signature Page Follows*]

16

IN WITNESS WHEREOF, the Parties have executed this Subscription Video-on-Demand With Tipping License Agreement on the day and year first written above.

LICENSOR:

The Chosen, LLC

By: /s/ Derral E. Eves

Name: Derral E. Eves

Title: Manager

LICENSEE:

VidAngel, Inc.

By: /s/ Neal Harmon

Name: Neal Harmon

Title: Chief Executive Officer

17

EXHIBIT A
Licensor's Deliverables

PART I
Deliverable Materials

I. HD File Based Master of:

a. _____

i.

ii.

iii.

PART II
Promotional Materials

- Key Art as found within quantities Licensor has on hand.

- Music and Effects Tracks

EXHIBIT B
Angel Bonus Program

1. Overview.

- 1.1. Licensee's Angel Bonus Program is an effort to reward content owners that contribute content scored according to three factors: Goodness, Loyalty, and Word of Mouth.
 - 1.1.1. The "**Goodness**" factor is intended to benefit licensors who provide clean (not requiring filtering) or relatively clean (requiring little filtering) content as determined by a proprietary algorithm developed by Licensee. Whether and in what amount any Goodness contributes to the Angel Bonus shall be within the Licensee's sole discretion.
 - 1.1.2. The "**Word of Mouth**" factor is to reward content owners whose content contributes significantly to Licensee's ability to attract new paying customers. Whether and in what amount any Word of Mouth contributes to the Angel Bonus shall be within Licensee's sole discretion. A high Goodness score will have an amplifying effect on the Word of Mouth factor's contribution to the Angel Bonus.
 - 1.1.3. The "**Loyalty**" factor is to reward content owners whose content contributes significantly to Licensee's ability to retain new customers, existing customers and reactivate old customers. Whether and in what amount any Loyalty score contributes to the Angel Bonus shall be within Licensee's sole discretion. A high Goodness score will also have an amplifying effect on the Loyalty factor's contribution to the Angel Bonus.
- 1.2. Each quarter, Licensee will allocate amounts to a general bonus pool (the "Angel Bonus Pool") according to the terms of Licensee's streaming contracts. Typically, the amounts range between ten percent (10%) and twenty percent (20%) of Net VOD Profits in the applicable calendar year quarter.
- 1.3. Each quarter, the entire amount of the Angel Bonus Pool will be distributed to eligible contracts, proportionally, based on each eligible contract's Angel Score.
- 1.4. The periods of time corresponding to quarters are based on Licensee's then current fiscal quarters.

2. Angel Score

- 2.1. Each contract's Angel Score is determined by the Angel Score Formula, which is based on three parameters the value of each of which is determined according to Licensee's proprietary algorithms: Attributed New Subscriber Value, Attributed Subscription Revenue, and Audience Diversity.
 - 2.1.1. "**Attributed New Subscriber Value**" is a measure of the number of new subscribers whose first work watched is covered by this contract * \$12.50 (which is approximately half of the expected cost to acquire a new subscriber). This measure represents the value content brings by driving new subscribers to the platform.

- 2.1.2. "**Attributed Subscription Revenue**" is a measure of the total amount of subscription revenue which can be directly attributed to views of works covered by this contract. For each payment received, this measure attributes 50% of the payment to works watched in the previous month, 25% to works watched in the month before that, 12.5% to works watched in the month before that, and so on until any remainder is attributed to the marketing cost of acquiring the user. This measure answers the question "What did they watch that made them stay?"

2.1.3. “**Audience Diversity**” is a measure of how appealing the works covered by this contract are to a diverse audience. The precise implementation of this measure is somewhat technical, but intuitively, this measure looks at the set of other works watched by viewers who watch this work and measures the diversity (entropy) of that set. This diversity score is based off of works watched without filters. This measure answers the question about "What is good content?"

2.2. **Angel Score Formula.** The formula used to determine the Angel Score is: (Attributed New Subscriber Value + Attributed Subscription Revenue) * Audience Diversity. The first part of the Angel Score Formula (attributed new subscriber and subscription revenue) represents the financial impact of the contract, while the second part of the formula (audience diversity) measure alignment between the content and the larger Licensee’s audience, which Licensee believes directly affects the long-term success of the content and the platform.

2.3. **Final Allocation.** Final allocations from the Angel Bonus Pool to individual contracts (i.e., an Angel Bonus) are determined by taking the Angel Score for an eligible contract, dividing it by the sum of all Angel Scores for all eligible contracts, and multiplying the result by the total amount available in the Angel Bonus Pool. This process distributes the total value of the Angel Bonus Pool to individual contracts proportionally, based on their Angel Score.

3. **Disbursement.**

3.1. The bonus revenue allocated to individual contracts under the Angel Bonus Program is viewed as equivalent to earned revenue, so no contract actually receives a disbursement check unless and until the total revenue earned exceeds the production costs of the contract.