**OFFERING MEMORANDUM DATED AUGUST 4, 2020**

**Legion M Entertainment, Inc.**
**1801 Century Park East, 24th Floor**
**Los Angeles, CA 90067**

**www.legionm.com**

Up to 68,498 shares of Class A Common Stock (1)

**SEE "SECURITIES BEING OFFERED" AT PAGE 50**

| | Price to Public (2) |
|---|---|
| **Per Share** | **$ 14.28** |
| **Total Minimum** | **$ 10,000** |
| **Total Maximum** | **$ 782,525** |

(1) Investors in this offering have the opportunity to choose a Reward (defined below) (e.g. gift card, Bonus Shares (defined below), tickets to an event, etc.) based on amount of money they invest. One of those rewards is Bonus Shares, which will be granted to investors for free once their investment closes. In calculating the maximum number of shares offered in this offering, we are assuming that 100% of investors achieve the highest level of bonus shares, as it represents the theoretical maximum number of shares that could be issued. For more information, see "Plan of Distribution and Selling Shareholders."
(2) The value of the Reward chosen by an investor can affect the "Effective Share Price" paid. For more information, please see the "Rewards" section in "Plan of Distribution and Selling Shareholders."

**This offering will terminate at the earlier of (1) the date at which the maximum offering amount has been sold, (2) December 31, 2020, or (3) the date at which the offering is earlier terminated by the company at its sole discretion, provided that the offer will be open for at least 21 days. The company has engaged Boston Private Bank as escrow agent to hold any funds that are tendered by investors. The offering is being conducted on a best-efforts basis. The company may undertake one or more closings on a rolling basis. After each closing, funds tendered by investors will be made available to the company. We expect to hold closings on at least a monthly basis.**

**A crowdfunding investment involves risk. You should not invest any funds in this offering unless you can afford to lose your entire investment.**

**In making an investment decision, investors must rely on their own examination of the issuer and the terms of the offering including the merits and risks involved. These securities have not been recommended or approved by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not passed upon the accuracy or adequacy of this document.**

**The U.S. Securities and Exchange Commission does not pass upon the merits of any securities offered or the terms of the offering, nor does it pass upon the accuracy or completeness of any offering document or literature.**

Table of Contents


| | |
|---|---|
| Letter from the Founders to Prospective Investors | 4 |
| Summary | 6 |
| Risk Factors | 9 |
| Dilution | 14 |
| Use of Proceeds to Issuer | 18 |
| The Company's Business | 20 |
| The Company's Property | 27 |
| Management's Discussion and Analysis of Financial Condition and Results of Operations | 28 |
| Directors, Executive Officers and Significant Employees | 46 |
| Compensation of Directors and Executive Officers | 48 |
| Security Ownership of Management and Certain Security Holders | 49 |
| Interest of Management and Others in Certain Transactions | 50 |
| Securities Being Offered | 50 |
| Plan of Distribution and Selling Shareholders | 53 |
| Financial Statements | F-1 |


*In this Offering Memorandum, the term "Legion M," "the company" or "we" refers to Legion M Entertainment, Inc.*

THIS OFFERING MEMORANDUM MAY CONTAIN FORWARD-LOOKING STATEMENTS AND INFORMATION RELATING TO, AMONG OTHER THINGS, THE COMPANY, ITS BUSINESS PLAN AND STRATEGY AND ITS INDUSTRY. THESE FORWARD-LOOKING STATEMENTS ARE BASED ON THE BELIEFS OF, ASSUMPTIONS MADE BY AND INFORMATION CURRENTLY AVAILABLE TO THE COMPANY'S MANAGEMENT. WHEN USED IN THE OFFERING MATERIALS, THE WORDS "ESTIMATE," "PROJECT," "BELIEVE," "ANTICIPATE," "INTEND," "EXPECT" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. THESE STATEMENTS REFLECT MANAGEMENT'S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE THE COMPANY'S ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTAINED IN THE FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS WHICH SPEAK ONLY AS OF THE DATE ON WHICH THEY ARE MADE. THE COMPANY DOES NOT UNDERTAKE ANY OBLIGATION TO REVISE OR UPDATE THESE FORWARD-LOOKING STATEMENTS TO REFLECT EVENTS OR CIRCUMSTANCES AFTER SUCH DATE OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS.

# A LETTER FROM THE FOUNDERS TO PROSPECTIVE INVESTORS

Thank you for considering an investment in Legion M! We couldn't be more excited about this opportunity and are thrilled that you are considering joining us. Before you get into the Offering Memorandum, there are a couple things we want to mention.

*Legion M is not a conventional company. We don't intend to become one.*

Most of this Offering Memorandum describes Legion M in conventional business terms. In fact, the whole purpose of this document is to provide a convention for you to evaluate our company and make an informed investment decision. But there are elements of Legion M that defy convention and we want to take a moment to explain them in our own words.

**Risk vs. Reward**

Before you invest, it's important to understand that Legion M is a very early stage company. In fact, thanks to the JOBS Act, you now have the opportunity to invest earlier than has ever been possible — at a stage traditionally reserved for angel investors and venture capitalists.

If you want to get in early, you need to understand the risks. As a pre-IPO startup, we are not focused on near-term revenue or profit, but instead on building long-term competitive advantages for the company. When you invest in a startup like Legion M, you aren't banking on what we are today—you are betting on what we could become tomorrow. It's an inherently risky proposition because, the fact is, most startups fail.

But startups that succeed can change the world. Every great company — from Walt Disney Pictures to Apple Computer — started with entrepreneurs and investors who had the courage to defy the odds and try something no one else had done before. We believe Legion M could be one of those companies.

**One Million Fans**

Legion M is, to our knowledge, the first company built from the ground up to be owned by fans. We're building it that way because we believe a media company owned by a large audience of fans has fundamental competitive advantages over those owned by Wall Street investors.

Our logo (the M with a bar over it) is the Roman numeral for one million, representing our long-term goal of uniting one million fans as shareholders of the company. If we can achieve this goal, Legion M will likely have hundreds of millions of dollars to invest in projects that have one million people emotionally and financially invested in their success. We believe that could make Legion M one of the most influential companies in Hollywood.

**Redefining ROI**

Most companies view investors simply as a source of capital. For Legion M, they are the foundation of our business. We are a community as well as a corporation. As a management team, our job is to create value for this community. While conventional companies define shareholder value solely by dollars and cents, Legion M goes one step farther:

> ***Financial ROI***
> Legion M's primary goal is to run a responsible business that earns money, increases our share price, and provides a financial return for our investors. Financial success is the key to the long-term viability and success of our company — the more money we make, the more great things we can do.
>
> ***Emotional ROI***
> While financial success is the primary goal for Legion M, we believe there is more to life than money. In addition to financial return, we strive to give our investors an EMOTIONAL return for owning shares of our company. We work hard to cultivate a vibrant community for our shareholders, look for interesting

ways to take them behind the scenes with our projects, and strive to create new and exciting opportunities for them to be a part of the entertainment industry.

The wonderful thing about a fan-owned company is that financial and emotional ROI are not mutually exclusive. Getting our shareholders engaged and excited about our projects isn't just good fun—it's also good business. The more engaged and excited our audience is, the more buzz and value we create for the project, which in turn increases the project's chances of success to the benefit of the company and all of its shareholders.

**Let's Put an M-shaped Dent in the Universe!**

What we're doing has never been done, but we've beaten the odds before,[(1)] and believe we can do it again. While we can't guarantee success (nobody can promise that), we can guarantee that we'll do everything in our power to make this the best investment you've ever made. We're betting not just our own money, but also our reputations and careers that we can make this company a success.

So THANK YOU again for considering our company. Please review the information in this Offering Memorandum. If you like what you see and want to take a swing for the fences with us, we'd be honored to have you join our team. If you don't, that's fine too. And if you're not sure, please join the Legion as a free member [(2)], so you can see for yourself what we're all about.

*Onward and Upward,*
Paul Scanlan and Jeff Annison
Cofounders, Legion M

[(1)] In 1999, we (along with one other cofounder) started a company called MobiTV which we grew to over 300 employees, won an Emmy award for innovation and became a worldwide leader in delivering TV outside of the living room.

[(2)] You can join Legion M as a free member at www.legionm.com/join-legion-m. As a free member, you don't have a financial stake in the company's success, but you do get access to our community and many of the same benefits that are available to shareholders. It's a great way to see for yourself what Legion M is all about.

# SUMMARY

Legion M is an entertainment company. Our business plan is to partner with creators and other entertainment companies -- from independent filmmakers to large Hollywood studios and distributors -- to develop, produce, distribute, market and monetize entertainment content including movies, television shows, virtual reality, digital content, events, and more. In this sense, we are like thousands of other entertainment companies around the world.

The difference is that Legion M has been built from the ground up to be owned by fans rather than Wall Street. We're taking advantage of historic new equity crowdfunding laws that allow the public to invest in our company in its earliest stages of development. We believe this gives us competitive advantages that could ultimately make us one of the most influential companies in Hollywood.

Legion M was incorporated in Delaware on March 4, 2016. As of this writing (August 2020), our revenue is growing but the company is not currently profitable. As a startup, we are not focused on near-term profitability, but instead on developing long-term competitive advantages we believe will become invaluable as the company scales.

**Revenue Plan**

To date, Legion M has engaged in projects with a number of revenue models, including:

- Feature film P&A (Print and Advertising) investments
- Feature film production financing
- Film distribution
- Merchandising and licensing
- Marketing partnerships
- Comic books
- Podcasts
- Live events
- Comic book sales
- Film and TV development

For more information, please see the "How We Make Money" section in "The Company's Business".

**Finance Plan**

As of August 2020, we have raised over $10,000,000 from more than 25,000 investors under Regulation A, Regulation CF and Regulation D. To achieve our goal of one million shareholders, we expect to require many more successive rounds of funding.

Because entertainment financing, development, production, distribution, marketing and monetization is a capital-intensive business, we're also exploring the potential of partnering with other entertainment entities who can provide capital to help us finance and distribute Legion M projects.

**The Offering**

| | |
|---|---|
| Securities offered under Regulation CF (1) (2) | Maximum of 68,498 shares of Class A Common Stock |
| Class A and Class B Common Stock outstanding before the offering (2) | 3,247,848 shares |
| Class A and Class B Common Stock outstanding after the offering under Regulation CF (1) | 3,316,346 shares |

(1) Investors in this offering have the opportunity to choose a Reward based on amount of money they invest. One of those Rewards is Bonus Shares, which will be granted to investors for free once their investment closes. In calculating the maximum number of shares offered in this offering, we are assuming that 100% of investors achieve the highest level of bonus shares, as it represents the theoretical maximum number of shares that could be issued, see the "Rewards" section in "Plan of Distribution and Selling Shareholders."
(2) Does not include shares in the concurrent Regulation A offering. No money or other consideration is being solicited, and if sent in response, will not be accepted. No offer to buy the securities can be accepted and no part of the purchase price can be received until the offering statement filed by the company with the SEC has been qualified by the SEC. Any such offer may be withdrawn or revoked, without obligation or commitment of any kind, at any time before notice of acceptance given after the date of qualification. An indication of interest involves no obligation or commitment of any kind.
(3) All shares subject to a vesting schedule are assumed fully vested.

**Investor Rewards**

Shares sold in the current offering include rewards that will be available for all investors ("Rewards"), including the grant of additional shares ("Bonus Shares"), exclusive merch, gift cards, and experiences. The value of these rewards impacts the Effective Share Price paid by the investor for their shares. For a full discussion, please see the "Rewards" section in "Plan of Distribution and Selling Shareholders."

**Use of Proceeds**

Proceeds from this offering and our concurrent Regulation A offering will be used to fund Legion M's entertainment projects, marketing efforts and operational expenses as well as to pay for expenses related to this offering (including Rewards). See "Use of Proceeds to Issuer" section of this Offering Memorandum.

**Risks**

Legion M is a startup. We were incorporated in March 2016 and are still in an early stage of development. While we have revenue, we are not profitable. Investing in Legion M's shares involves a high degree of risk (see "Risk Factors"). As an investor, you should be able to bear a complete loss of your investment. Some of the more significant risks include those set forth below:

- Natural disasters and other events beyond our control could materially adversely affect us;
- This is an early stage company;
- What we're doing has never been done before;
- Our auditor has issued a "going concern" opinion;
- We plan to raise significantly more money and future fundraising rounds could result in a "cram down;"
- Success in the entertainment industry is highly unpredictable and there is no guarantee our content will be successful in the market;
- Entertainment projects can be risky and often budgets run over;
- You may not like our projects;

- Even if one of our projects is successful, it is likely to take a long time for us to realize profits;
- Our business relies heavily on third parties for production and monetization of entertainment content;
- We depend on a small management team and may need to hire more people to be successful;
- We may not be able to protect all our intellectual property;
- Our officers control the company and we currently have no independent directors;
- The shares of Common Stock being offered are subject to drag-along rights;
- The exclusive forum provision in our certificate of incorporation and bylaws may have the effect of limiting an investor's ability to bring legal action against us and could limit an investor's ability to obtain a favorable judicial forum for disputes;
- Investors in this offering may not be entitled to a jury trial with respect to claims arising under the subscription agreement, which could result in less favorable outcomes to the plaintiff(s) in any action under the agreement;
- The offering price has been arbitrarily set by Legion M;
- We are offering a discount on our stock price to certain classes of investors;
- We have a large shareholder base which will likely grow even larger over time;
- Equity crowdfunding is new;
- There is no current market for Legion M shares;
- Cryptocurrency and the ICO wave could muddy the market; and
- Competitors could overtake our momentum.

# RISK FACTORS

The SEC requires Legion M to identify risks that are specific to its business and its financial condition. Legion M is still subject to all the same risks that all companies in its business, and all companies in the economy, are exposed to. These include risks relating to economic downturns, political and economic events and technological developments (such as hacking and the ability to prevent hacking). Additionally, early-stage companies are inherently riskier than more developed companies. You should consider general risks as well as specific risks when deciding whether to invest.

**Natural disasters and other events beyond our control could materially adversely affect us.**

Natural disasters or other catastrophic events may cause damage or disruption to our operations, international commerce and the global economy, and thus could have a strong negative effect on us. Our business operations are subject to interruption by natural disasters, fire, power shortages, pandemics and other events beyond our control and could make it difficult or impossible for us to deliver our services to our customers and could decrease demand for our services. Our business model involves the marketing of entertainment, including movies and other content. To the extent, the entertainment industry is impacted by either the ability to create new content (e.g., the halting of productions) or the ability to monetize the content (e.g., theater sales), our business prospects could be severely hampered.

In addition, as an early stage startup, we rely on investments to fund our operations. To the extent our investment flow is interrupted by disasters and/or the effect the have on the economy, our ability to maintain operations could be severely hampered.

In December 2019, a novel strain of coronavirus, COVID-19, was reported in Wuhan, China. The World Health Organization has since declared the outbreak to constitute a pandemic. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, its impact on the global economy as well as the impact on our current and potential investors, customers, employees, vendors, and industry events, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain. If the COVID-19 outbreak continues to spread, we may need to further limit operations and/or substantially modify our business practices. Please see the subsection “COVID-19” in the section “Management’s Discussion and Analysis.” There is a risk that other countries or regions may be less effective at containing COVID-19, or it may be more difficult to contain if the outbreak reaches a larger population or broader geography, in which case the risks described herein could be elevated significantly.

**This is an early stage company.**

Legion M was incorporated in March 2016. It is a startup company, and while our revenues have increased over the past several years, we are not profitable nor are we focused on near term profitability. There is very little history upon which an evaluation of its past performance and future prospects in the entertainment industry can be made. Statistically, most startup companies fail.

**What we’re doing has never been done before.**

We are (to our knowledge) the first company to attempt our business model. Legion M is built on the thesis that having a legion of fans invested in our products will give us a competitive advantage. However, our thesis could be wrong. There is no assurance that we will be able to derive benefits from being fan-owned. Even if our concept is proven to give us a competitive advantage, other companies with more resources than we do may copy our idea causing us to lose this competitive edge.

**Our auditor has issued a “going concern” opinion.**

Our auditor has issued a “going concern” opinion on our financial statements, which means they are not sure that we will be able to succeed as a business without additional financing. Legion M was incorporated in March 2016. We have not generated profits since inception, and we have had a history of losses. We have sustained a net loss of $3,645,356 and $2,411,065 in the years ended December 31, 2019 and December 31, 2018, respectively, and have an accumulated deficit of $9,251,742 as of December 31, 2019. The audit report states that our ability to continue as a going concern for the next twelve months is dependent upon our ability to generate cash from operating activities and/or to raise additional capital to fund our operations. Failure to raise additional capital could have a negative impact on not only our financial condition but also our ability to remain in business.

**We plan to raise significantly more money and future fundraising rounds could result in a "cram down."**

Our goal is to have one million investors in Legion M which will likely require many more rounds of fundraising. We may also need to raise additional funds to finance our operations or fund our business plan. Even if we manage to raise subsequent financing or borrowing rounds, the terms of those rounds might be more favorable to new investors or creditors than to existing investors such as you. New equity investors or lenders could have greater rights to our financial resources (such as liens over our assets) compared to existing shareholders. Additional financings could also dilute your ownership stake, potentially drastically. See "Dilution" for more information.

**Success in the entertainment industry is highly unpredictable and there is no guarantee our content will be successful in the market.**

Our success will depend on the popularity of our entertainment projects. Viewer tastes, trends and preferences frequently change and are notoriously difficult to predict. If we fail to anticipate future viewer preferences in the entertainment business, our business and financial performance will likely suffer. The entertainment industry is fiercely competitive. We may not be able to develop projects that will become profitable. We may also invest in projects that end up losing money. Even if one of our projects is successful, we may lose money in others.

**Entertainment projects can be risky, and often budgets run over.**

The entertainment industry is generally affected by the same risk factors of other industries but due to its nature, the development, production, distribution and marketing of content can require large capital investments. Developing and monetizing entertainment projects, such as movies and television shows, usually require significant capital investment to fund expenditures on activities such as producing a television pilot, producing or co-producing a movie or creating a virtual reality experience. There is often budget over-run. Even with adequate funding, the project may fail to gain traction with viewers.

**You may not like our projects.**

We plan to develop a diverse slate of projects in the entertainment industry including feature films, television shows, virtual reality experiences, transmedia content and events. Final decisions on projects are made by the Legion M management team. We may choose projects you don't like, don't believe in, or even ones you object to.

**Even if one of our projects is successful, it is likely to take a long time for us to realize profits.**

Even if we are involved in a financially successful project, the process of making money and realizing profit in the entertainment business is slow. The time span from the moment a project starts to its completion, release and revenue recognition is substantial and is often measured in years. Even when we realize a profit and are financially able to declare dividends on our shares, we may or may not do so.

**Our business relies heavily on third parties for production and monetization of entertainment content.**

Our success in developing, producing and monetizing content relies heavily on third party Hollywood creators and producers such as studios, development, production and distribution companies, television networks, etc. These companies may give more time and attention to other entertainment companies or other projects which are better funded or better known or which have a longer operational history than us. There is no assurance that we will be able to find partners to jointly develop projects or help support projects financially and even if we do, there is no guarantee that our partners will put forth all of the resources required to help make our projects successful. A number of our high-profile advisors may change their minds and terminate their relationships with the company.

**We depend on a small management team and may need to hire more people to be successful.**

Our success will greatly depend on the skills, connections and experiences of our three executives, Paul Scanlan, Jeff Annison and Terri Lubaroff. Should any of them discontinue working for Legion M, there is no assurance that Legion M will continue. We will also need to hire creative talents and individuals with a track record of success and with the skills necessary to ensure that we create and sell premium original content. There is no assurance that we will be able to identify, hire and retain the right people for the various key positions.

**We may not be able to protect all our intellectual property.**

Our profitability may depend in part on our ability to effectively protect our intellectual property including our trademark and logo, original entertainment content in our projects and our ability to operate without inadvertently infringing on the proprietary rights of others. Theft of our original entertainment content prior to release could adversely affect our revenue. Policing and protecting our intellectual property against piracy and unauthorized use by third parties is time-consuming and expensive and certain countries may not even recognize our intellectual property rights. Any litigation protecting our intellectual property and defending our original content could have a material adverse effect on our business, operating results and financial condition regardless of the outcome of such litigation.

**Our officers control the company and we currently have no independent directors.**

Our three executive officers and directors are currently also our controlling shareholders. As holders of the Class B Common Stock which gives them 10 votes per share, as opposed to 1 vote per share for holders of Class A Common Stock like you, they will continue to hold a majority of the voting power of all our equity stock and therefore control the board at the conclusion of this offering. In fact, even if they were to own as little as 5.1% of the equity securities of the company, they will still control a majority of the voting stock. This could lead to unintentional subjectivity in matters of corporate governance, especially in matters of compensation and related party transactions. We also do not benefit from the advantages of having any independent directors, including bringing an outside perspective on strategy and control, adding new skills and knowledge that may not be available within Legion M, having extra checks and balances to prevent fraud and produce reliable financial reports.

**The shares of Common Stock being offered are subject to drag-along rights.**

The shares you are purchasing in this offering are subject to a drag-along provision as set forth in the Subscription Agreement, pursuant to which each holder of Class A Common Stock purchased in this offering agrees that, in the event the company's board and the holders of a majority of the votes of the outstanding shares of the company's Class A Common Stock and Class B Common Stock voting as a single group (and taking into consideration the 10 votes per share voting preference of the Class B Common Stock) vote in favor of a sale of the company, then such holder of Class A Common Stock will vote in favor of the transaction if such vote is solicited, refrain from exercising dissenters' rights with respect to such sale of the company, and deliver any documentation or take other actions reasonably required, amongst other covenants.

This means that if the Board of Directors and Class B shareholders (which consists of the founders, employees and early investors) decide to sell the company, you are agreeing to go along with that sale, even if you don't agree with it, oppose it, or feel that your interests are not being represented. For instance, the fact that shares of Class B Common Stock are owned by founders, employees and early investors could potentially create scenarios where the interests of the two shareholder groups are not aligned.

Additionally, the enforceability of such provision as it relates to appraisal rights will be subject to the provisions of Delaware law. Since the rights of common stock are determined in general by statute as opposed to by contract, and the drag-along provision is a contractual term, the extent to which this provision would be upheld by the courts in Delaware is unclear. In the event this provision were to be challenged, a sale of the company might not be effected, and all the shareholders could miss an opportunity to realize the value of their investment.

**The exclusive forum provision in our certificate of incorporation and bylaws may have the effect of limiting an investor's ability to bring legal action against us and could limit an investor's ability to obtain a favorable judicial forum for disputes.**

Section XI of our Amended and Restated Certificate of Incorporation and Section 48 of our Amended and Restated Bylaws contain exclusive forum provisions for certain lawsuits, see "Securities Being Offered – Forum Selection Provisions." Further, Section 7 of the subscription agreement for this offering includes exclusive forum provisions for certain lawsuits pursuant to the subscription agreement; see "Securities Being Offered – Forum Selection Provisions." The forum for these lawsuits will be the Court of Chancery in the State of Delaware. None of the forum selections provisions will be applicable to lawsuits arising from the federal securities laws. These provisions may have the effect of limiting the ability of investors to bring a legal claim against us due to geographic limitations. There is also the possibility that the exclusive forum provisions may discourage stockholder lawsuits, or limit stockholders' ability to bring a claim in a judicial forum that it finds favorable for disputes with us and our officers and directors. Alternatively, if a court were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

**Investors in this offering may not be entitled to a jury trial with respect to claims arising under the subscription agreement, which could result in less favorable outcomes to the plaintiff(s) in any action under the agreement.**

Investors in this offering will be bound by the subscription agreement, which includes a provision under which investors waive the right to a jury trial of any claim they may have against the company arising out of or relating to the subscription agreement, including any claim under the federal securities laws.

If we opposed a jury trial demand based on the waiver, a court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with the applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by a federal court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which governs the subscription agreement, in the Court of Chancery in the State of Delaware. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether the visibility of the jury trial waiver provision within the agreement is sufficiently prominent such that a party knowingly, intelligently and voluntarily waived the right to a jury trial. We believe that this is the case with respect to the subscription agreement. You should consult legal counsel regarding the jury waiver provision before entering into the subscription agreement.

If you bring a claim against the company in connection with matters arising under the subscription agreement, including claims under federal securities laws, you may not be entitled to a jury trial with respect to those claims, which may have the effect of limiting and discouraging lawsuits against the company. If a lawsuit is brought against the company under the subscription agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in such an action.

Nevertheless, if this jury trial waiver provision is not permitted by applicable law, an action could proceed under the terms of the subscription agreement with a jury trial. No condition, stipulation or provision of the subscription agreement serves as a waiver by any holder of common shares or by us of compliance with any substantive provision of the federal securities laws and the rules and regulations promulgated under those laws.

In addition, when the shares are transferred, the transferee is required to agree to all the same conditions, obligations and restrictions applicable to the shares or to the transferor with regard to ownership of the shares, that were in effect immediately prior to the transfer of the Shares, including but not limited to the subscription agreement.

**The offering price has been arbitrarily set by Legion M.**

Legion M has set the price of its Class A Common Stock at $14.28 (although the Effective Share Price each investor pays will be lower – for more information please see the "How We Determined the Offering Price in this Offering" section in “Plan of Distribution and Selling Shareholders” section). Valuations for companies at Legion M’s stage are purely speculative. While we have revenue, we are not yet profitable. Many entertainment projects may not provide a return on investment for years. Our valuation has not been validated by any independent third party and may fall precipitously. It is a question of whether you, the investor, are willing to pay this price for a percentage ownership of a start-up company. You should not invest if you disagree with this valuation.

**We are offering a discount on our stock price to certain classes of investors.**

Certain classes of investors are entitled to bonus shares (effectively a discount) in this offering; see the “Rewards” section of “Plan of Distribution and Selling Shareholders.” These bonus shares may immediately dilute the value of your stock. Therefore, the value of shares of investors who pay the full price in this offering will be diluted by investments made by investors entitled to these bonus shares, who will pay less for the same stake in the company.

**We have a large shareholder base which will likely grow even larger over time.**

As a result of Legion M’s recent successful Regulation Crowdfunding and Regulation A offerings, we have over 25,000 shareholders. It is uncommon for a start-up company with limited resources and a small staff to have so many investors. Our stated goal is to grow the shareholder base to one million through multiple rounds of fundraising. Despite best efforts, it is possible that unexpected risks and expenses of managing this large shareholder base could divert management’s attention and cause Legion M to fail.

**Equity crowdfunding is new.**

Legion M’s existing funding and future fundraising plans (including this round) are reliant on equity crowdfunding and provisions of the JOBS Act which have been in effect for a short period of time. Secondary markets don’t exist yet, and may not exist for some time (or ever), which hampers the ability for investors to sell their shares. The laws are complex, and interpretation by governing bodies doesn’t exist in some cases and may change over time in others. Changes to the laws (or interpretation of the laws) could impact Legion M’s ability to raise money as well as your ability to trade your shares.

**There is no current market for Legion M’s shares.**

The securities being sold in this offering are subject to restrictions on resale for one year. There is no formal marketplace for the resale of our securities. If the company is successful, we expect to IPO or list on an exchange or alternative trading system that allows investors to sell their shares, but there is no guarantee that will happen, or that if it does happen that there will be demand to purchase your shares at your desired price or at any price at all. We do not currently have any near-term plans to apply for or otherwise seek trading or quotation of our Class A Common Stock on an over-the-counter market. It is also hard to predict if we will ever be acquired by a bigger company. Investors should assume that they may not be able to liquidate their investment or pledge their shares as collateral for some time.

**Cryptocurrency and the ICO wave could muddy the market.**

To date, Legion M has focused fundraising efforts purely on the new provisions enabled by the JOBS Act. Blockchain technology and the advent of cryptocurrencies have enabled new methods of raising money – some of which are legal but many of which are not. Either way, developments in the cryptocurrency space could potentially confuse investors, create opportunities for direct competitors, and/or otherwise have adverse effects on Legion M’s ability to raise funds.

**Competitors could overtake our momentum.**

As the marketplace becomes more savvy about the JOBS Act and how an entertainment company could benefit from an equity crowdfunded financing round, competitors could launch their own equity crowdfunding campaigns and overtake our momentum.

## WHAT IT MEANS TO BE A MINORITY HOLDER

In our company, the class and voting structure of our stock has the effect of concentrating voting control with a few people, specifically our founders, Paul Scanlan and Jeff Annison. As a result, these few people collectively have the ability to make all major decisions regarding the company. As a holder of Class A Common Shares, you will hold a minority interest in the company and the founders will still control the company. In that case, as a minority holder you will have limited ability, if at all, to influence our policies or any other corporate matter, including the election of directors, changes to our company's governance documents, additional issuances of securities, company repurchases of securities, a sale of the company or of assets of the company or transactions with related parties.

It's important to note that while the Legion M founders have control of Legion M from a corporate governance standpoint (e.g. this isn't a democracy where everybody votes on every decision), we believe that our job as a management team is to act as stewards enacting the will of our shareholders. Our community is at the core of everything Legion M does, which is why we develop tools like FILM SCOUT, M-Pulse, and others to continuously poll the Legion M community about projects and other matters. We believe it's important to give shareholders a voice in the direction of their company, and that Legion M's unique ability to make data-driven decisions utilizing the "wisdom of the crowd" that leverages the combined energy, experience and passion of our community is a strategic competitive advantage that benefits the company and all its stakeholders.

## DILUTION

**Funding History**

Dilution means a reduction in value, control, or earnings of the shares the investor owns. When a company is created and seeks investment from outside investors, like you, the price paid per share of stock can vary. To help illustrate the dilution you face as an investor (the fact that you pay more for your shares than earlier investors did), we'd like to explain how our current shareholders acquired their stock and the price they paid for it. The shareholders of Legion M can be broken into the following groups:

> **Founders/Founding Grant Holders.** When Legion M was formed, the founding stock of the company was allocated amongst the two cofounders, early employees, consultants, advisors and creative allies at close to zero cost. An early-stage company typically issues shares (or grants options over its shares) to its founders and early employees at a very low cash cost because they are contributing money, time and energy at below market rates (i.e. sweat equity). Shortly after founding, some additional grants for stock options and warrants were issued to employees, consultants and advisors at a strike price of $0.01 per share. Note that most of the stock/options/warrants issued to this group of shareholders (including the restricted stock owned by our two co-founders) vested over a 4-year period.
>
> **Seed Investors (Discounted Note).** To fund startup expenses and launch our initial Regulation Crowdfunding round of financing, Legion M secured $418,342 worth of investment from accredited investors who had previous relationships with our two cofounders. These investors loaned money at a 5% interest rate to Legion M in exchange for promissory notes that automatically converted to Class B Common Stock upon closing of a successful financing round of over $1 million. If Legion M had been unable to raise at least $1 million, these investors likely would have lost their entire investment. In exchange for the additional risk of investing early, these investors received a 30% discount when the notes converted into Class B Common Stock, which translated to a $4.90 per share price in August 2016 upon closing of our first equity crowdfunding round. When you factor in the interest earned by these notes, these investors paid an average of $4.82 per share of Class B Common Stock.
>
> **Round 1 Investors (Reg. CF/D).** On the morning of May 16, 2016 (the day the new law took effect), Legion M became one of the first companies in history to launch a Regulation Crowdfunding (Reg CF) fundraising campaign. The campaign lasted for three months, ending on August 14, 2016. Investors in this round were assured of a successful raise because their subscription was placed in escrow, and only to be released if Legion M achieved a minimum threshold of $500,000 in subscriptions. This campaign exceeded the funding goal—after three months the round ended oversubscribed with over $1.3 million subscriptions

for a round that was legally capped at $1 million. In order to accommodate the extra demand, Legion M allowed accredited investors to invest in our shares of Class A Common Stock in a private placement pursuant to the Regulation D exemption to make more room in the Reg CF round for non-accredited investors. Legion M ultimately closed with $999,999 investment in the Reg CF round and $193,522 in the Reg D round at the price of $7.00 per share of Class A Common Stock.

In addition, just prior to Round 1 we received $76,020 of investment from accredited investors in the form of convertible promissory notes. These notes converted into Class B Common Stock at the close of Round 1, also at $7.00 per share.

**Round 2 Investors.** In March 2017, Legion M launched a fundraising campaign under Regulation A promulgated under the JOBS Act. In August 2017, we made a follow-on offering under Regulation Crowdfunding to include investors who couldn't invest under Regulation A due to state securities laws. Both campaigns ended on September 2, 2017. Legion M ultimately closed with $1,875,336 worth of investment in the Regulation A round and $167,941 worth of investing in the Reg CF round at the price of $7.47 per share of Class A Common Stock.

**Round 3 Investors**. On May 16, 2018, Legion M opened a Regulation CF offering at a price of $8.32 per share of Class A Common Stock. This round was oversubscribed, closing on July 27, 2018 with a total of 108,400 shares sold for a total of $901,888, the maximum allowable under Regulation CF (which sets limits on the amount which may be raised on an annual basis).

On October 26, 2018, Legion M opened a Regulation A offering that allowed investors who were blocked from investing in the oversubscribed Round 3 Reg CF the opportunity to purchase shares at a price of $8.32 per share. We raised a total of $634,541.44 from the sale of 76,267 shares.

Legion M also closed an individual investment of $99,998 under Regulation D at a Round 3 price of $8.32 per share from one of our seed investors.

**Round 4 Investors**. On October 26, 2018, Legion M opened a Regulation A offering at a price of $8.88 per share of Class A Common Stock. We sold 241,087 shares for a total of $2,140,852 at that price.

**Round 5 Investors**. On July 12, 2019, Legion M increased the price per share in its Regulation A offering to $10.00 per share of Class A Common Stock. We sold 242,243 shares for a total of $2,422,430 at that price.

On October 18, 2019 Legion M opened a Regulation CF offering at $10.00 per share of Class A Common Stock. We sold 3,000 shares for a total of $30,000 at that price.

**Round 6 Investors**. On November 6, 2019, Legion M increased the price per share in its Regulation A and Regulation CF offerings to $10.65 per share of Class A Common Stock. We sold 42,192 shares for a total of $449,345 under Reg A, and 24,176 for a total of $257,474 under Regulation CF.

**Option Grant Holders.** As Legion M grows, we issue stock option grants to key employees, advisors, and partners:

- Shortly after Round 1 closed, the company issued option grants for 160,772 shares of Class A Common Stock at the strike price of $7.00 per share.
- After Round 2 closed, Legion M issued an additional 96,970 options or warrants at the strike price of $7.47 per share.
- Concurrent with Round 3, Legion M issued an additional 12,000 options at a strike price of $8.32 per share.
- Concurrent with Round 4, Legion M issued an additional 27,000 options at a strike price of $8.88 per share.
- Concurrent with Round 5, Legion M issued an additional 5,000 options at a strike price of $10.00 per share.

- Concurrent and after Round 6, Legion M issued an additional 23,000 options at a strike price of $10.65 per share.

**Dilution for New Investors**

The following tables summarize the differences between existing shareholders and new investors in this Round 7 (which includes our concurrent Regulation A offering) with respect to the number of shares of common stock purchased, and total consideration paid, for two different scenarios:

| **Maximum Offering: Assumes $45 Million Raised** | **Shares Purchased** | **% Ownership** | **Average Price Per Share** | **Total Consideration** |
|---|---|---|---|---|
| Founders/Founding Grant Holders (1)(2) | 1,632,040 | 23% | $ 0.00 | $ 758 |
| Seed Investors (Discounted Note) | 86,788 | 1% | $ 4.82 | $ 418,342 |
| Round 1 Investors (Reg CF/D) (3) | 181,363 | 2% | $ 7.00 | $ 1,269,541 |
| Option Grant Holders (1) (5) | 324,742 | 5% | $ 7.65 | $ 2,484,276 |
| Round 2 Investors (Reg A/CF) (4) | 273,531 | 4% | $ 7.47 | $ 2,043,277 |
| Round 3 Investors (Reg A/CF/D) (6) | 196,686 | 3% | $ 8.32 | $ 1,636,428 |
| Round 4 Investors (Reg A/D) | 241,087 | 3% | $ 8.88 | $ 2,140,852 |
| Round 5 Investors (Reg A/CF) (7) | 245,243 | 3% | $ 10.00 | $ 2,452,430 |
| Round 6 Investors (Reg A/CF) (8) | 66,368 | 1% | $ 10.65 | $ 706,819 |
| New Investors from This Offering (9) | 3,939,075 | 55% | $ 11.42 | $ 44,999,993 |
| **Total** | **7,186,923** | **100%** | | **$ 58,159,634** |

| **Assuming $1 Million Raised:** | **Shares Purchased** | **% Ownership** | **Average Price Per Share** | **Total Consideration** |
|---|---|---|---|---|
| Founders/Founding Grant Holders (1)(2) | 1,632,040 | 49% | $ 0.00 | $ 758 |
| Seed Investors (Discounted Note) | 86,788 | 3% | $ 4.82 | $ 418,342 |
| Round 1 Investors (Reg CF/D) (3) | 181,363 | 5% | $ 7.00 | $ 1,269,541 |
| Option Grant Holders (1) (5) | 324,742 | 10% | $ 7.65 | $ 2,484,276 |
| Round 2 Investors (Reg A/CF) (4) | 273,531 | 8% | $ 7.47 | $ 2,043,277 |
| Round 3 Investors (Reg CF/D) (6) | 196,686 | 6% | $ 8.32 | $ 1,636,428 |
| Round 4 Investors (Reg A/D) | 241,087 | 7% | $ 8.88 | $ 2,140,852 |
| Round 5 Investors (Reg A/CF) (7) | 245,243 | 7% | $ 10.00 | $ 2,452,430 |
| Round 6 Investors (Reg A/CF) (8) | 66,368 | 2% | $ 10.65 | $ 706,819 |
| New Investors from This Offering (9) | 87,535 | 3% | $ 11.42 | $ 1,000,000 |
| **Total** | **3,335,383** | **100%** | | **$ 14,152,723** |

(1) For the purposes of this table, all shares of stock are considered fully vested, and all granted options/warrants are assumed fully vested and exercised.
(2) Includes (i) restricted stock grants of 1,546,040 shares of Class B Common Stock; (ii) options to purchase 59,000 shares of Class B Common Stock; and (iii) warrants for 27,000 shares of Class B Common Stock.
(3) Includes 142,857 shares sold under Reg. CF and 27,646 shares sold under Reg. D, and 10,860 shares converted from $76,020 of promissory notes at $7.00 per share.
(4) Includes 251,049 shares sold under Reg. A, and 22,482 shares sold under Reg CF at $7.47 per share.
(5) Includes (i) 160,772 options at 7.00 per share strike price and (ii) 96,970 options/warrants at 7.47 per share strike price, (iii) 12,000 options at 8.32 per share strike price, (iv) 27,000 options at the $8.88 strike price, (v) 5,000 options at a $10.00 per share strike price and (vi) 23,000 shares at the $10.65 strike price.
(6) Includes 108,400 shares sold under Reg. A, 76,267 shares sold under Reg. CF, and 12,019 shares sold under Reg D at $8.32 per share.
(7) Includes 242,243 shares sold under Reg. A, and 3,000 shares sold under Reg CF at $10.00 per share.
(8) Includes 42,192 shares sold under Reg. A, and 24,176 shares sold under Reg CF at $10.65 per share.

(9) Includes both this Reg CF offering and a concurrent Reg A offering. Assumes that all shares sold in these offerings are purchased by investors selecting Bonus Shares as their Reward, and that the average Reward tier correlates to 25% in Bonus Shares. This is an unrealistic case (e.g. assumes every investor invests $10,000 or more, and that no investor selects Rewards other than Bonus Shares), but is the most dilutive boundary case, and the most conservative case for investors to consider.

**Future Dilution**

Another important way of looking at dilution is the dilution that happens due to our future actions. The investor's stake in a company could be diluted due to our issuing additional shares. In other words, when we issue more shares, the percentage of the company that you own will go down, even though our value and your shareholding may go up—you own a smaller piece of a larger company. This increase in the number of shares outstanding could result from a stock offering (such as an initial public offering, another financing round, a venture capital round, angel investment), employees exercising stock options, or by conversion of certain instruments (e.g. convertible bonds, preferred shares or warrants) into stock.

If we decide to issue more shares, an investor could experience value dilution, with each share being worth less than before, and will experience control dilution, with the total percentage an investor owns being less than before. There may also be earnings dilution, with a reduction in the amount earned per share (though this typically occurs only if we offer dividends, and most early stage companies are unlikely to offer dividends, preferring to invest any earnings back into the company).

The type of dilution that hurts early-stage investors most occurs when a company sells more shares in a "down round," meaning at a lower valuation than in earlier offerings. An example of how this might occur is as follows (numbers are for illustrative purposes only):

- In June 2019, Jane invests $20,000 for shares that represent 2% of a company valued at $1 million.

- In December, the company is doing very well and sells $5 million in shares to venture capitalists on a valuation (before the new investment) of $10 million. Jane now owns only 1.3% of the company but her stake is worth $200,000.

- In June 2020, the company has run into serious problems and in order to stay afloat it raises $1 million at a valuation of only $2 million (the "down round"). Jane now owns only 0.89% of the company and her stake is worth $26,660.

If you are making an investment expecting to own a certain percentage of Legion M or expecting each share to hold a certain amount of value, it is important to realize how dilution can make drastic changes to the value of each share, ownership percentage, voting control and earnings per share.

# USE OF PROCEEDS TO ISSUER

The following discussion addresses the use of proceeds from this offering and our concurrent Regulation A offering. If the company sells the minimum amount of $10,000 and the maximum amount of approximately $780,000, the proceeds will be used in the approximate proportions set out below. The use to which we have put proceeds received so far is set out in "Management's Discussion and Analysis." None of the offering proceeds will be used to pay off debt early or make payments for deferred salaries.

The following table breaks down the use of proceeds into five different categories under various funding scenarios:

| | $2.5 Million Raise | | $5 Million Raise | | $10 Million Raise | | $20 Million Raise | | $45 Million Raise | |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Money Raised | $ 2,500,000 | 100% | $ 5,000,000 | 100% | $ 10,000,000 | 100% | $ 20,000,000 | 100% | $ 45,000,000 | 100% |
| Offering Related Expenses & Rewards (1) | $ 246,500 | 10% | $ 443,000 | 9% | $ 836,000 | 8% | $ 1,622,000 | 8% | $ 3,587,000 | 8% |
| Operating Expenses (2)(3) | $ 720,000 | 29% | $ 1,350,000 | 27% | $ 2,400,000 | 24% | $ 3,000,000 | 15% | $ 3,600,000 | 8% |
| Marketing Fund | $ 1,000,000 | 40% | $ 2,000,000 | 40% | $ 4,000,000 | 40% | $ 8,000,000 | 40% | $ 18,000,000 | 40% |
| Entertainment Project Fund | $ 533,500 | 21% | $ 1,207,000 | 24% | $ 2,764,000 | 28% | $ 7,378,000 | 37% | $ 19,813,000 | 44% |

(1) Assumes that half of all money raised in the offering comes from investors who select Bonus Shares, and the other half comes from investors that select Rewards that are evenly distributed amongst all Rewards available.
(2) $2.5 million raise scenario assumes 6 months of operational expenses and $5 million raise scenario assumes 9 months of operations. All other scenarios assume 1 year.

(3) Assumes that Legion M staff's voluntary pay cuts due to COVID-19 crisis have been rolled back.

**Offering Related Expenses and Rewards**

Investors in this offering have the opportunity to select a Reward based on the amount of money they invest (for more detailed information, please see the "Rewards" section of "Plan of Distribution and Selling Shareholders.") These rewards fall into different categories that require different use of funds:

- Bonus Shares – These are free shares for investors that are granted after their investment closes. There is no hard cost for Legion M to fulfill these rewards.
- Legion M Merchandise – These are items like gift cards to the Legion M store and exclusive Legion M merchandise. Legion M considers the COGS for the items awarded for the "use of funds" table above.
- Third-party Rewards – These are items like gift cards or exclusive merchandise that Legion M purchases directly from a third party (e.g. Alamo Drafthouse or Hot Topic). For these Rewards, the COGS for Legion M can be close or equal to the face value of the Reward, which is considered in use of funds table above. It's worth noting that in exchange for including third parties as a Reward partner, Legion M expects to receive marketing commitments from those partners that we hope will more than offset the cost of fulfilling the rewards.
- Legion M Experiences – These are items like "Zoom Call with Legion M Staff" or "Tickets to a Legion M Red Carpet Hollywood Premier". While these rewards can be invaluable to the recipient, they often have little to no hard cost that needs to be considered in the use of funds table above.

As you can see, the cost for Legion M to fulfill investor Rewards will depend heavily on the amount invested and specific Rewards chosen by investors. For the purposes of the use of funds table above, we're assuming that half of all money raised in the offering comes from investors who select Bonus Shares, and the other half comes from investors that select Rewards evenly distributed amongst all Rewards available.

Note that the Rewards program is new for this offering, and being treated as an experiment. Our hope is that marketing benefits from our partners and the Rewards program will more than offset the cost spent fulfilling them. However, if we find the reverse is true we will likely modify the program or eliminate it completely.

Finally, in addition to the cost of Rewards, Legion M is estimating offering costs of approximately $60,000 (primarily due to legal and accounting fees) in connection with this offering and the concurrent Regulation A offering.

**Operating Expenses**

These are the funds required to support our Legion M team and monthly operating expenses. It includes employees' salaries and benefits, compensation to contractors, expenses related to public relations, travel, legal and accounting, insurance and technology.

These funds directly support:

- Internal development of entertainment projects;
- Business development with entertainment partners;
- Growing, managing, and leveraging our Legion of fans;
- Development and sales of merchandise;
- Fundraising; and
- General overhead and administrative costs.

As of August 1, 2020, our monthly burn rate for operating expenses (excluding discretionary spending on marketing and project investments) is approximately $105,000 per month. Note that in April 2020 Legion M implemented voluntary pay cuts in response to the COVID-19 crisis. As of this writing (August 2020) most of the staff, including our three officers and directors are working at 80% of their previous pay rate. For the use of funds table above, we are assuming these pay cuts have been rolled back, and that our staff is back at 100% salary.

Our burn rate for operating expenses may go up or down based on the amount of money raised. The burn rate does not include expenses that are related to entertainment project development or large marketing initiatives, including marketing/advertising for fundraising.

**Marketing**

Growing the Legion (see "The Company's Business — Growing the Legion) and marketing our projects are two of our highest priorities. Accordingly, we plan to allocate up to 40% of the funds raised in this offering to marketing efforts intended to build value for the Legion M brand and our projects. This includes paid digital advertising, referral programs, sponsorships, exhibiting at comic cons/film festivals, etc.

It's worth noting money spent marketing Legion M's entertainment projects often doubles as marketing for the company. For example, the P&A money we spend promoting *Memory: The Origin of Alien* also helps introduce fans of the Alien franchise to Legion M. Whenever possible, we work to structure deals where the investments we make in entertainment projects provide potential for both ROI and marketing benefits.

**Entertainment Project Development**

This is to fund the costs of developing our entertainment projects. This includes expenses such as co-financing a movie, P&A investments, creating a virtual reality experience, optioning rights to a book, paying screenwriters to write a script, etc.

**We reserve the right to change the above use of proceeds if management believes it is in the best interest of the company.**

# THE COMPANY’S BUSINESS

**Introduction**

Legion M is an entertainment company. Our business plan is to partner with creators and other entertainment companies -- from independent filmmakers to large Hollywood studios and distributors -- to develop, produce, distribute, market and monetize entertainment content including movies, television shows, virtual reality, digital content, events, and more. In this sense, we are like thousands of other entertainment companies around the world.

The difference is that Legion M has been built from the ground up to be owned by fans rather than Wall Street. We’re taking advantage of historic new equity crowdfunding laws that allow the public to invest in our company in its earliest stages of development. With Legion M, fans own the company, fans get behind the scenes and — when we are successful — fans share in the rewards!

We founded Legion M because we saw a once-in-a-lifetime opportunity created by the JOBS Act. Fans hold great power in the entertainment industry. After all, we’re the ones who buy the tickets, pay the subscriptions, and decide what to watch. Individually, each of us is just a consumer, but when we band together, we have undeniable power. And now, thanks to the disruptive new capabilities of equity crowdfunding, we have a first-ever chance to build an entertainment company of our own.

**Competitive Advantage**

From franchises and established IP, to talent and influencers, a BUILT-IN AUDIENCE is one of the most valuable assets in Hollywood. Our goal is to create a company with a built-in audience for everything we do.

By giving people an ownership stake and a voice in the process, we’re creating a legion of fans that are both financially and emotionally invested in the success of our projects. A built-in audience like this is not only more likely to support the project, but also more likely to bring their friends, and talk about it online. A built-in audience has the potential to create authentic grassroots buzz —the sort of exposure companies would kill for but money can’t buy. The bigger that audience gets, the more powerful it becomes.

We believe a Legion of invested shareholders can provide value in many ways:

- We have a Legion of fans motivated to see our movies opening night and bring out all their friends;
- We have a massive “street team” motivated to talk about our projects, share them on social media, and build grassroots buzz about our projects;
- We have a legion of scouts motivated to help us find and identify emerging market trends, exciting new intellectual properties, and up-and-coming talents;
- We have a built-in focus group that can provide feedback to help us evaluate content/ideas and make market decisions;
- We have a source of energy, enthusiasm and excitement that can help propel both our projects and our company forward; and
- We have a deep pool for crowdsourcing ideas and tasks, and many talented individuals willing to volunteer their time, energy, and expertise to help their company succeed.

Our long-term goal is to unite one million fans as shareholders of Legion M. If we’re successful, this will provide hundreds of millions of dollars to develop content that has one million fans standing behind it. It’s an ambitious goal, and one we expect will take many years to achieve. But if we’re successful, we believe it could make us one of the most influential companies in Hollywood.

**Current Size of the Legion**

At 6AM on May 16, 2016 (the day Regulation CF went into effect), Legion M became one of the first companies in history to launch an equity crowdfunding round under Regulation CF, created by the JOBS Act. Since then, we have completed six rounds of equity crowdfunding, raising over $10 million from more than 25,000 investors via a combination of Regulation A, Regulation CF, and Regulation D.

In addition to allowing fans to invest via equity crowdfunding, we also allow them to join our community for free. We do this for several reasons, including the fact that we want to give people the opportunity to "get to know us" before they invest, especially when we don't have an equity crowdfunding round open. We also recognize that there are many people who love the idea of a fan-owned company but for some reason cannot or choose not to invest. As a company whose power comes from the size and strength of its community, we welcome free members with open arms. As of August 2020, our total community (including investors) has approximately 125,000 people.

**How We Make Money**

Entertainment is a complex and constantly evolving industry that employs a variety of business models for the production, distribution and monetization of content. While there are many ways a company can make money in entertainment (and even more ways to lose it!), our plan is to focus on areas in the value chain where having a built-in audience provides a competitive advantage.

Our goal is to develop a slate of projects diversified across genres (i.e. comedy vs. horror), medium (i.e. feature films vs. television) and risk profile (i.e. high risk early stage projects vs. lower risk late stage projects). As a startup attempting something that has never been done before, we view many of our early projects as experiments that allow us to better understand our business and prove — to ourselves, our investors, and the industry — the value that a fan-owned company can provide.

As of this writing (August 2020), Legion M has utilized many different business models, including the ones listed below:

***Feature Film P&A Investments***

"P&A" is an industry term for "print and advertising," and generally refers to the money spent by a distributor to release and market a feature film. As of August 2020, Legion M has had three feature film P&A projects: we partnered with NEON for *Colossal*, Electric Entertainment for *Bad Samaritan*, and are in the process partnering with Bleeker Street for *Save Yourselves!*, expected to release in fall of 2020.

The terms of these investments vary, but typically involve Legion M providing cash and/or "in-kind value" (i.e. the value of our services and money spent promoting the film) in exchange for a return on investment tied to the success of the film. We believe this is a great model for Legion M in that the activities we engage in to promote the film (e.g. PR, social media marketing, comic-con activations, meetups, etc.) also engage our community and help us grow the Legion.

We believe that Legion M can provide significant competitive advantages during the release cycle of a film. From encouraging viral sharing of content that raises awareness to organizing opening night meetups at theaters around the country, Legion M's community has a demonstrated ability to create authentic, grassroots buzz. We can't make a bad movie good, but we believe we can help a good movie find an audience and increase its chances of becoming a hit.

***Feature Film Production Financing***

Generally speaking, production financing refers to the money required to make a movie. As of August 2020, Legion M has invested in production financing for four films: *Field Guide to Evil, Mandy, Jay and Silent Bob Reboot*, and *Archenemy*. In each of these cases Legion M has made a cash investment in the film in exchange for a potential cash return based on the film's success. In each of these cases, our position as an equity investor in the film has also enabled us to tap into other potentially lucrative revenue streams such as merchandise licenses and/or marketing partnerships.

The risk/return associated with these investments depends heavily upon the terms of any specific deal and where you fall in the "waterfall" -- the model that determines how (and in what order) revenue earned by the film is distributed amongst all of the stakeholders. Legion M has participated in relatively low-risk positions at the top of the waterfall (e.g. fixed-return investments backed by existing sales agreements that are paid before other stakeholders), as well as high-risk positions at the bottom of the waterfall (e.g. a percentage of the "backend" that gets paid last, but is uncapped). We've also been able to cross-collateralize across other revenue streams (e.g. the "Reboot Roadshow" for *Jay and Silent Bob Reboot* and the Jóhann Jóhannsson soundtrack for *Mandy*) and secure other terms (e.g. guaranteed minimums) that can help diversify our investment and improve our odds of achieving a positive return.

Because our involvement with production projects like these begins before the film has been completed, there are generally more opportunities for us to get the members and investors of the Legion involved in the production process. We believe that providing fans the opportunity to "come along for the ride" during the events leading up to commercial release (e.g. raffling off set visits, providing priority access to join as an extra, hosting livestreams with creators, inviting fans to see the festival premier, etc.) creates grassroots support and buzz that can help a film find a distributor and increase the odds of success once the film is released.

***Film Distribution***

In April of 2019, Legion M announced our first foray into film distribution — a partnership with Screen Media to acquire the North American distribution rights for the documentary *Memory: The Origins of Alien*. Under this partnership, we're sharing the costs and revenues from the North American distribution of the film across all outlets for the next 20 years. Screen Media is providing the expertise required to distribute the film, while Legion M is providing marketing muscle we believe will help make it successful.

As the distributor of the film (in partnership with Screen Media), our investment is the money and time spent to acquire, market, and distribute the film. These costs include everything from the fees paid to acquire the rights from the filmmakers to the costs associated with booking theaters, manufacturing DVDs, cutting trailers, designing/printing posters, and buying advertising. However, as the distributor, Legion M and Screen Media will earn a portion of every dollar earned from theatrical ticket sales, DVD sales, VOD sales/rentals, licensing/advertising fees paid by streamers, merchandise sales, etc. through the year 2039. It's worth noting that the film was released in 2019, which was the 40-year anniversary of *Alien*, but we will still own the rights to this film when the $50^{th}$ and $60^{th}$ anniversaries of the film roll around in 2029 and 2039.

We believe distribution is a potentially powerful business model for Legion M. We believe the Legion M community can provide a competitive advantage in marketing and distributing a film, and we believe that *Memory: The Origins of Alien* is a wonderful way to introduce Legion M to the worldwide community of sci-fi lovers and fans of the *Alien* franchise.

***Marketing Partnerships***

In April of 2019, Legion M announced a marketing partnership with Fox Searchlight (a division of Disney) where Legion M earned revenue, co-marketing support, and exclusives for our members in exchange for supporting the release of *Tolkien*.

From a financial standpoint, this is a powerful business model for Legion M – it's like a P&A investment but with guaranteed revenue and zero capital at risk. The model only works for certain projects (i.e. Legion M is not a "gun for hire"), but for the right film, it can be a win/win for everyone involved. In the case of *Tolkien*, Legion M provided considerable value by leveraging our community to build awareness and buzz, while the film provided not just revenue, but also exclusive opportunities for our investors (e.g. Hollywood premiere tickets, limited edition meetup pins) and a great way to introduce Legion M to the worldwide community of J.R.R. Tolkien enthusiasts.

*Tolkien* was our first experiment with a marketing partnership, but we're eager to explore this model further, as it opens the door to many projects (including larger studio films) where other models may not be an option.

### *Merchandising*

Ever since our community began, there has been demand for Legion M merchandise that allows our members and investors to show off their Legion M pride. As the community gets larger, that demand grows. Today we have dozens of Legion M items in our store ranging from socks and beanies to t-shirts and mugs.

In 2018, through our investment in the film *Mandy*, Legion M acquired a license to produce merchandise for the film, and has had great success selling items ranging from t-shirts and hats to replica props and Halloween masks. We believe our ability to kickstart a new revenue stream (branded merchandise) for a title that likely wouldn't otherwise have one is valuable for both Legion M and our partners.

Since our success with *Mandy*, Legion M has acquired merchandising rights to a number of our other projects including *Archenemy*, "The Left Right Game," *Jay and Silent Bob Reboot, The Emperor's Blades, Memory: The Origins of Alien*, and *Save Yourselves.* We've also expanded our merchandising efforts to include:

- Direct to consumer through the Legion M store (https://shop.legionm.com)
- Wholesale sales of Legion M product to 3rd party retailers (e.g. Hot Topic)
- Sublicensing IPs to 3rd party manufacturers for their products (e.g. earning royalties by allowing a 3rd party to create and sell merchandise of their own)

Today, these merchandise sales represent a significant and steadily growing component of our annual revenue, a trend we hope to continue.

From an investment perspective (e.g. if we evaluate the time and money we invest in merchandise initiatives using the same criteria we use to evaluate our project initiatives), merchandise offers a number of unique advantages:

- The risk of launching a new products is relatively small – particularly now that "print on demand" technology eliminates the risk associated with inventory requirements for many items like t-shirts, posters, hats, etc.
- The time required to achieve returns on a new product line is orders of magnitude shorter than film and TV projects. For example, while it can take years to see a return on a successful film project, it's possible to start making money from merchandise related to a film even before it is released.

Most importantly, we believe that the investments we make into merchandise related to our projects pay dividends beyond the revenues they generate. It's not a coincidence that successful entertainment companies like Walt Disney and Warner Brothers have robust consumer product divisions to monetize their IP – branded merchandise is an excellent way to drive awareness (after all, a branded t-shirt is effectively a walking billboard) and build and nurture fandoms.

### *Comic Books*

In early 2019, we used Kickstarter to launch presales of a comic book and merchandise line for *Girl with No Name*, a feature film on our development slate. The comic book was developed by Legion M based on a story adapted from a segment of the film script. In less than 6 weeks, the Kickstarter campaign closed with over $125,000 in sales from over 2,800 backers, making it *the most-backed comic book project in the history of Kickstarter*, despite the fact it was a brand new, never-before-released IP.

From an investment standpoint, comics represent a relatively inexpensive (compared to film and TV) way to develop and monetize IP. And while we believe comic books are an interesting potential revenue stream for Legion M, we're particularly interested in ways that we can use comics to prototype, subsidize, and facilitate the development of film and television projects.

For example, the *Girl With No Name* comic book was essentially a first pass at storyboards for a *Girl With No Name*. The process of developing the comic book gave our director and producers a chance to flesh out the visual style of the film, and to also get feedback on their creative decisions from fans. As part of the Kickstarter, we created opportunities for backers to engage through online development meetings, shared Pinterest boards, etc., where they provided feedback that could prove invaluable to the development of the feature film. Most of all, this effort provided commercial validation, elevating *Girl With No Name* from "an award-winning script" to "an award-winning script behind the most successful comic book Kickstarter project of all time," which we believe has increased our chances of getting the feature film made.

***Podcasts***

In May of 2020, Legion M announced a partnership with QCODE Media for the limited audio podcast series "The Left Right Game" co-produced by and starring Tessa Thompson. Structured similar to some of our Film P&A Investments, Legion M is investing money and "in-kind value" for a potential cash return based on the success of the podcast. We also secured merchandising rights for the podcast as part of the deal, and have a line of products for "The Left Right Game" in the Legion M store.

In the case of "The Left Right Game," Legion M got involved after the series had already been released and rights to a television series had already been secured by Amazon Studios. Because of this, our investment in the project is fairly small (compared to all the other projects on our slate), and we see it primarily as a way to "dip a toe" into this business model and build a relationship with both QCODE and Amazon.

Like with comic books, we see Podcasts not only as a potential revenue stream for Legion M, but also as a way to prototype, develop, and build traction around new IP.

***Live Event Production***

Legion M has produced two major live events — the "Celebrating Stan Lee" handprint ceremony and after-party in 2017, and the "Excelsior!" tribute to Stan (benefiting the non-profit charity The Hero Initiative) that we hosted in early 2019 shortly after Stan passed away. In both cases, we incurred the effort, costs, and risks of hosting the event in exchange for the revenue generated from tickets, merchandise, food/drink, and sponsorship sales.

Neither of these events were intended to generate a profit. This was due to a number of reasons – not the least of which is the fact we didn't feel it was appropriate to profit from the handprint ceremony (which was billed as "the fans' gift to Stan") or a memorial benefit. That said, the revenue generated by these events helped subsidize the costs of what we believe were extremely effective ways to generate exposure and build goodwill within the industry and fan communities. Both of the events included a long list of industry participants and guests, including Kevin Feige (head of Marvel Studios), Mark Hamill (*Star Wars*), Laurence Fishburne (*The Matrix*), Kevin Smith (*Jay and Silent Bob Reboot*), Chadwick Bozeman (*Black Panther*), Todd McFarlane (*Spawn*), many, many more. Both events also generated extensive news and media coverage from around the world, and provided an opportunity for Legion M to "open the gates of Hollywood" and bring our members/shareholders to events that are typically reserved for industry insiders.

In addition to these major events, Legion M has hosted smaller events, including the "Legion M Lounge" at the Sundance Film Festival and at San Diego Comic Con, and the "Fan Oasis" at Los Angeles Comic Con. While these events are typically free (i.e. there is no ticket sale revenue) we have had some success selling sponsorships. Again, our goal with these events to date has not been to generate a profit (although we'd certainly love to if we could find the right sponsor), but to offset the costs of marketing efforts that allow us to promote our projects and grow our community.

***Development***

Development generally refers to the earliest stages of the content production cycle, when production companies invest time, money, and "sweat equity" to develop, package, and sell movies, TV series and other entertainment projects. Examples of development activities include reading and evaluating scripts, brainstorming ideas, writing treatments, providing feedback to writers, licensing IP, packaging talent (e.g. showrunners, actors, directors), finding sponsors, creating budgets, and pitching projects to potential buyers/partners. The goal of development is to typically to package a project and then sell it to a studio, network, distributor, sponsor, or other buyer so the project can be produced.

Legion M has dozens of projects in the development stage. This includes projects like *ICONS: Face to Face* where we invested cash to film a pilot, *The Emperor's Blades* where we licensed rights to a trilogy of fantasy novels to develop into a TV series, as well as projects like *Airship Cowboys* and *Stunt Team: Drive* where there is little or no cash required and our investment is primarily the time we spend working with partners to develop the idea. Many of our development stage projects have not been publicly announced.

From an investment standpoint, development projects are generally very high risk/reward, meaning that the odds of any given project making it into production are very low, but if you are successful in developing your project into a successful property, the rewards are potentially high.

**Finance Plan**

As of August 2020, we have raised over $10,000,000 million from more than 25,000 investors under Regulation A, Regulation CF and Regulation D.

Developing and monetizing entertainment projects like movies and television shows usually requires significant capital investment. We intend to raise as much of that money as possible directly from fans. Our long-term goal is to have 1 million shareholders, which would provide hundreds of millions of dollars for the development of projects. We expect it will take us many successive fundraising rounds to achieve this goal, but if we're successful we believe it could make us one of the most influential companies in Hollywood.

In addition to raising money directly from fans, Legion M is exploring opportunities to partner with venture capitalists, film financing companies, and other entertainment financiers to increase the amount of money available for funding Legion M projects.

**Entertainment and Media Market**

Film, television and digital entertainment is a global industry that generates trillions of dollars in revenue each year. Home to some of the largest and best-known corporations in the world (Disney, Sony, Netflix, NBCUniversal, etc.), it is an extremely complex and competitive industry with stakeholders ranging from content creators and studios, to networks, technology and distribution companies.

As the industry grows, it's constantly evolving. In recent years, changes in technology and consumer habits have ushered dramatic shifts in the industry, including the proliferation and success of global OTT ("over the top") services such as Netflix, Amazon and Hulu, the advent of new steaming services such as Disney+, Quibi, Peacock and AppleTV, the rise of new technologies like interactive TV and Virtual Reality, and the growth of non-traditional models such as PPV (pay per view), VOD (video on demand), SVOD (subscription video on demand) and AVOD (advertising supported video on demand).

Throughout all this change, the one thing that remains constant is the importance of the audience. It's the collective eyeballs and wallets of viewers around the world that fuel the entire industry. The power of aggregating fans can be seen throughout the industry, from the salaries commanded by well-known actors and influencers to the importance of sequels, reboots and IPs with established fanbases.

From franchises and IP to talent and influencers, a BUILT-IN AUDIENCE is one of the most valuable assets in Hollywood. Our goal is to create a company with a built-in audience for everything we do.

**Board of Advisors**

While we are fan-owned company, we are not a fan-run company. We believe our fan community is an extremely powerful resource for helping evaluate the ART of media and entertainment, but the *business* of media and entertainment is extremely complex, nuanced, and highly confidential. To help us navigate these waters, we've established a remarkable board of advisors which currently includes:

- Larry Gleason, Distribution and Exhibition Expert, former President of Worldwide Distribution at MGM and former President of Worldwide Exhibition at Paramount

- Stoopid Buddies Stoodios (Matt Senreich, Seth Green, John Harvatine, and Eric Towner), the company behind “Robot Chicken,” “Supermansion,” and “Buddy Thunderstruck”
- Scott Landsman, Senior Vice President of Comedy Development at Sony TV
- Gaston Dominguez-Letelier, Comic Book and Pop Culture Expert, Founder and Former CEO of Meltdown, Inc.
- Animal Repair Shop (Susan Bonds and Alex Lieu), mixed reality pioneers and former Disney Imagineers
- Lisa Taback, VP Talent Relations & Awards at Netflix, Former Awards Consultant (Spotlight, Moonlight, La La Land)
- Kerry O’Quinn, Creator and Publisher of STARLOG, FANGORIA, CINEMAGIC and COMICS SCENE magazines
- Tim League, CEO of Alamo Drafthouse, Founder of Fantastic Fest, Co-founder of NEON
- Adam Rymer, Former President of Legendary Digital Networks
- Doug Hansen, P&A Expert, Former President & COO of Endgame Entertainment, President of Hansian Media
- Michael Arrieta, Business Development Expert, COO of Relativity Media, founder of Big Air Studios and former Sony Executive
- Leonard Maltin, "Entertainment Tonight" renowned film critic and author of Leonard Maltin’s Movie Guide.
- Christian Parkes, CMO NEON, Former CMO Alamo Drafthouse, Co-founder Beyond Fest
- Andrew Cosby, Co-founder of Boom! Studios, “Eureka” writer and showrunner, Hellboy screenwriter
- Yuka Kobayashi, former Director of Stan Lee's POW Entertainment
- Dean Devlin, Electric Entertainment, Co-Writer & Producer of Independence Day and Stargate, Producer of “The Librarians” and “Leverage,” Director of Bad Samaritan
- Bill Duke, Actor, Director, Producer (Commando, Predator, “Falcon’s Crest,” “Charlie’s Angels,” “Law and Order SVU”)
- Julianne LaMarche, Marketing and Strategic Planning, Former Co-President of BLT Communications, former President of Trailer Park
- Martin Lauber, Founder, Swirl Advertising, Founder/Managing Partner of 19York
- Lynn Bartsch, Principal Counsel of Lucasfilm, Former Senior Director of Business Affairs, Original Programming at Audible
- Rao Meka, Founder of shopVOX, CEO of 1729 Pictures
- Eric Ries, Author of “The Lean Startup”, Founder of the Long Term Stock Exchange

**Employees**

As of August 1, 2020, we have eight full time employees, five part-time employees or contractors that typically work between 5 and 20 hours per week, and a variety of other part time employees/independent contractors we use on an as-needed basis.

**Competition**

There are thousands of other companies involved in the creation and monetization of entertainment content, from giant international conglomerates to small independent creators. Many of these companies can be considered potential competitors in that we are all competing to develop entertainment for consumers; however, most of them can also be considered potential partners or allies, as collaboration is very common in the entertainment industry.

At this time we’re not aware of any direct competitors utilizing equity crowdfunding to unite entertainment fans like Legion M. We are aware of many creators who have used equity crowdfunding to raise (or attempt to raise) money for individual projects, as well as other companies that have launched or announced plans to launch equity crowdfunded entertainment businesses (including equity crowdfunded production slates and entertainment related cryptocurrency offerings). That said, as of this writing (August 2020), we are not aware of any companies that have achieved significant traction or that we would consider a direct competitor. Over time this could change.

### Intellectual Property

Legion M has the trademark to its name "Legion M."

### Litigation

Legion M has not been involved in any litigation, and its management is not aware of any pending or threatened legal actions relating to its intellectual property, the conduct of its business activities, or otherwise.

## THE COMPANY'S PROPERTY

Legion M does not own or lease any real estate, office space or significant tangible assets other than a 1959 Cadillac valued at approximately $33,000. Operating mostly virtually, Legion M currently uses office space within our Creative Alliance Partners' offices in Los Angeles and has virtual conference room space in Century City, CA.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following discussion relates to Legion M's financial condition and results of operations and includes audited financial data through December 31, 2019 and should be read in conjunction with our financial statements and the related notes included in this annual report. The discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements.

**2019 Operating Results**

Our revenue for the year ended December 31, 2019 ("Fiscal 2019") was $645,565, a 259% increase over our revenue of $179,589 during the year ended December 31, 2018 ("Fiscal 2018"). Cost of net revenue in Fiscal 2019 was $529,153 a 307% increase compared to $130,131 cost of net revenue in Fiscal 2018. Accordingly, we had a gross profit of $116,412 in Fiscal 2019 a 135% increase compared to our gross profit of $49,458 in Fiscal 2018. At this stage in the company's development, our revenue and margins are still fairly volatile. We expect this to continue as we introduce and develop new revenue streams.

Revenue in Fiscal 2019 primarily came from Legion M projects (including merchandise sales and licensing related to those projects), ticket-sales and sponsorships related to Legion M events, and sales of Legion M branded merchandise. Revenue in Fiscal 2018 came primarily from merchandise sales related to Legion M projects and Legion M branded merchandise.

In addition to the revenue recognized in this period, Legion M also had $148,390 in project-related revenue that was collected in 2019, but has not been recognized because the deliverables associated with it were not delivered during the period. This revenue will be recognized in our interim 2020 financial statements, but in 2019 it is listed as a "deferred revenue" liability on the balance sheet.

For Fiscal 2019, operating expenses were $3,761,768 compared to Fiscal 2018 expenses of $2,460,523. Our operating expenses consist of employee compensation and benefits, sales and marketing, independent contractors, professional fees (e.g. legal, accounting, etc.), travel expenses, general and administrative, depreciation, and asset impairment.

The largest component of our Fiscal 2019 operating expenses was Sales and Marketing, which was $1,989,641 in Fiscal 2019 compared to $817,995 in Fiscal 2018. These expenses vary greatly based on what we are promoting. For example, during our equity crowdfunding campaigns (we raised $4,386,442 during Fiscal 2019 compared to $1,923,629 in Fiscal 2018) we use online advertising to market the fundraising opportunity. When our projects release (in Fiscal 2019 we had releases for *Girl With No Name*, *Tolkien*, *Field Guide to Evil*, *Excelsior! Stan Lee Tribute*, *Memory: The Origins of Alien,* and *Jay and Silent Bob Reboot* , whereas in Fiscal 2018 *Bad Samaritan* was our only project release), we often spend money to market the projects. We also produce Legion M events and activations at comic cons and film festivals (e.g. Legion M Live Lounge at Sundance in both Fiscal 2019 and Fiscal 2018) that have costs associated with them, although whenever possible we work with sponsors to help offset these costs.

The next largest component of our operating expenses are the costs associated with compensation and benefits to employees and independent contractors. This includes not only cash expenses (e.g. the money we pay for salaries, wages, taxes and benefits) but also the value (according to GAAP accounting standards) of stock options vesting to employees and advisors. Note that where appropriate under GAAP accounting standards, costs of project-specific labor expenses are capitalized and appear as "Investments in Productions" on our balance sheet instead of the "Compensation and benefits" line of the Statement of Operations.

Our cost of Compensation and Benefits decreased to $1,124,214 in Fiscal 2019 from $1,151,820 in Fiscal 2018, and our cost of Independent Contractors decreased to $77,925 from $81,230. As of December 31, 2019, we had eight full-time employees, nine regular part-time employees/contractors (typically working between 5 and 20 hours per week) and a variety of part-time employees/contractors that we use on an as-needed basis. At the end of Fiscal 2018 we had six full-time employees, six regular part-time employees/contractors and a variety of part-time employees/contractors that we use on an as-needed basis.

Of the $1,124,214 in Compensation and Benefits in Fiscal 2019 (compared to $1,151,820 in 2018), $288,908 (compared to $357,467 in 2018) was attributable to non-cash “stock compensation expense” which can be seen on the Statement of Cash Flows. This doesn’t reflect cash we are spending, but instead reflects the value (according to GAAP standards) of stock options vesting to employees, advisors, and partners. The reduction of non-cash “stock compensation expense” from Fiscal 2018 to Fiscal 2019 is a result of vesting of stock grants having been completed.

Our General and Administrative costs increased to $158,531 in Fiscal 2019 from $74,871 in Fiscal 2018, which was primarily due to increased insurance costs. Our travel expenses increased to $162,781 in Fiscal 2019 from $118,399 in Fiscal 2018 due primarily to the cost of marketing our projects at film festivals and comic cons.

Legion M follows GAAP standards for capitalizing costs on projects where we expect a financial return over time. As such, we periodically evaluate the anticipated returns of the “Investments in Productions” that are included on our Balance Sheet. At the end of Fiscal 2019, we reduced the investment amount listed on our Balance Sheet by $122,711 which is reflected as “Asset Impairment” on our Statement of Operations. As of December 31, 2019, we had $1,055,613 of capitalized Investments in Production on our Balance Sheet, compared to $467,867 as of December 31, 2018.

These capitalized costs represent “bets we still have on the table.” It’s impossible to predict with certainty what the financial return of a project will be. For example, the return on a feature film is typically dependent upon the success of the film, while the return on a TV project is often dependent upon the series being sold. Some returns can be realized in a matter of months, while others may take decades (e.g. our distribution rights for *Memory: The Origins of Alien* last for 20 years, and backend rights for many of our other projects last in perpetuity). In accordance with GAAP standards, production costs are stated at the lower of unamortized cost or estimated fair value on a production basis. Therefore, the asset balances on our balance sheet are estimates that may not be realizable in the future.

The remainder of our operating expenses were relatively unchanged between Fiscal 2019 and Fiscal 2018: professional fees ($116,233 vs. $122,085 respectively); and depreciation ($9,732 vs. $9,798 respectively).

As a result of the foregoing factors, as well as other expenses, our net loss for Fiscal 2019 was $3,645,356, compared to a loss of $2,411,065 in Fiscal 2018.

**Management Evaluation of Operating Results**

When reviewing the financials above, one might wonder “why would I invest in a company that’s spending millions more than it makes each year?” This is a very valid question — not just for you but for Legion M’s executive staff as well. After all, we’re investing in Legion M alongside you — with our money, reputations, and our careers.

When evaluating companies at Legion M’s stage (approximately $30 million market cap/valuation), we believe it’s more important to look at potential for *growth* than near-term revenue. Particularly for the sort of transformative startup (e.g. Facebook, Tesla, Amazon) that Legion M aspires to become. If you had the ability to go back in time and invest in Facebook when it was run by a college drop-out from a home in Palo Alto, Tesla when it was designing a first-of-its-kind electric roadster, or Amazon when its world HQ was a garage, you wouldn’t invest because of the P&L–you’d invest in the vision for the future. The folks who took a risk when those were Legion M’s size have done quite well.

Of course for every Facebook, Tesla and Amazon there is a Pets.com, WebVan and MoviePass that flamed out spectacularly. Not to mention countless other startups that went under before you ever learned their name. Investing in startups is inherently high risk, but if you pick the right one, there is potential for very high rewards. We believe the keys to “picking the right one” boil down to (a) the company’s vision and (b) the team’s ability to execute on the vision (and evolve it as the company grows). In that regard we believe Legion M is well positioned. Our founders have a track record of success – in 1999 they founded (along with one other cofounder) a company called MobiTV, which was one of the first companies in the world to launch live streaming television on mobile phones. That company that grew from 3 founders working out of a spare room to an Emmy Award-winning worldwide leader in streaming television with hundreds of employees and offices around the world. Doing something that's never been done is always a gamble, but we've been here before, and we like our odds.

Even though what we're doing is relatively new, we've seen the power our community can have on our success. Legion M is a relatively small company with budgets that are nearly non-existent by Hollywood's standards. The fact that we are owned by fans has opened doors for us to work with some of the biggest names in the business, including Dean Devlin, Stan Lee, Kevin Smith, Elijah Wood, Nicolas Cage, Anne Hathaway, Tim League, Tom Quinn, Leonard Maltin, and many more.

What Legion M is attempting was never possible before advent of the JOBS Act. When we started the company in 2016, we had little more than an idea. Since then, we've focused on building a foundation and proving (to ourselves, to our investors, and to Hollywood) what a fan-owned company is capable of:

- We've demonstrated that we can build a fan-owned company. Our investor base has just about doubled each calendar year, and is continuing to grow exponentially. With over 25,000 investors (as of August 2020) Legion M is one of the most successful crowdfunding companies in JOBS Act history.
- We've proven we can build a community. With over 125,000 members (inclusive of investors), Legion M is creating a movement of fans eager to help shape the future of Hollywood.
- We've proven that we can activate fans, organizing hundreds of volunteer meetups all over the country to support the opening of our films and creating social media campaigns that are shared thousands and even tens of thousands of times.
- We've proven that we can make an impact on a film's release, and have glowing references from producers we've worked with including Dean Devlin (creator of *Stargate* and *Independence Day*) and actor/producer Elijah Wood of SpectreVision (producer of *Mandy*), as well as the team at Fox Searchlight (a division of Disney).
- We've vetted our idea with industry veterans – many of whom, including Leonard Maltin (*Entertainment Tonight)*, Tim League (Alamo Drafthouse, NEON*)*, Lisa Taback (Netflix), Andrew Cosby (*Hellboy, "*Eureka*"*), Lynn Bartch (Lucasfilm), Bill Duke (*Predator, Commando)*, and Scott Landsman (Sony) have agreed to join our advisory board. Dean Devlin—a writer/producer/director responsible for billions of dollars of ticket sales across the globe went so far to as to say, "Legion M is the Future of our Industry."
- We've proven that we can generate revenue from multiple streams including sponsorships, merchandise sales, marketing fees, ticket sales, comic book sales, and more.
- We've proven that we can establish a new IP, generating over $125,000 from over 2,800 backers in Kickstarter pre-release sales for *Girl with No Name,* setting a record for the most backed project in the history of Kickstarter's comic book category.
- We've proven that we can develop tools and technology (e.g. SCOUT, M-Pulse, Meetup Maker) that allow us to harness the power of a Legion of fans.
- We've proven that our services have value for studios, with a 2019 marketing partnership with Fox Searchlight (a division of Disney) where we received revenue, comarketing, and fan-exclusives for our members to promote the film *Tolkien.*
- We've proven we can use our community to generate valuable data. In 2019 over 1,000 members cast over 40,000 votes on our FILM SCOUT platform at Sundance Film Festival, generating data that led to a partnership with Screen Media to purchase the North American distribution rights for *Memory: The Origins of Alien*. In 2020, over 100,000 votes were cast leading us to partner with Bleeker Street Media for the release of *Save Yourselves!*
- We've proven we can "Open the Gates of Hollywood" for our shareholders, providing exclusives like premier tickets (*Jay and Silent Bob Reboot, Tolkien, Colossal*), set visits (*Jay and Silent Bob Reboot, Archenemy*), priority access to casting as extras (*Jay and Silent Bob Reboot, Archenemy*), lounges at Sundance Film Festival and Comic Cons, house parties with celebrities (*Celebrating Stan Lee)*, and online livestream Q&A with creators (including Dean Devlin, Andrew Cosby).
- We've developed a partnership with Endeavor Content, one of the premier Hollywood agencies, and have worked with them to try and package/sell our development projects.

**Scaling**

The first step for a first-of-its-kind company is proving that it is viable. When we started the company, we had to prove that (a) we could raise money from fans and (b) we could build competitive advantages and generate revenue. We believe the steps we've taken in our first few years have clearly illustrated the potential power of a fan-owned company and provided a strong foundation upon which to execute our vision.

We believe the key to success for Legion M is scale. After all, a Legion of 1 is valueless, but a Legion of 1,000,000 could be invaluable. Our long-term goal, which is baked into our logo, is to unite 1 million fans as shareholders of our company. We know this is ambitious—equity crowdfunding is new, and nobody yet knows what is possible — but the whole reason we founded Legion M is because we believe a company of that magnitude could become one of the most influential companies in Hollywood.

As of August 2020, we have over 125,000 members in our community — over 25,000 of which are also investors. More importantly, our growth is accelerating:

- We had approximately 3,200 shareholders at the end of 2016
- We had approximately 6,600 shareholders at the end of 2017 (206% growth yoy)
- We had approximately 11,000 shareholders at the end of 2018 (166% growth yoy)
- We had approximately 24,000 shareholders at the end of 2019 (218% growth yoy)

As we march toward our goal of 1 million shareholders, we've seen first-hand that our power as a company grows along with the size of our community. The larger we are, the broader our reach, and the more interesting we become to studios, producers, distributors, and other partners. With each project we complete our reputation, network, and references grow, and the better we understand how we can effectively harness and leverage our community.

We've seen the power of a Legion of 25,000 investors. Now our mission is to grow it — to 50,000, to 100,000 and beyond!

**Key Performance Metrics**

As a startup, our primary focus is growth. At this stage in our development we have a relatively limited amount of money for our projects, necessitating a highly strategic allocation. We consider three primary metrics when evaluating any given project.

> **Revenue** - Like any other company, the goal of Legion M is to make more money than we spend. Financial success is the key to the long-term viability and success of our company, and the potential for financial return is an important consideration when we evaluate projects.
>
> **Growth** - We believe that growth of our community is the single most important determinant of our long-term success. A Legion of one is insignificant, but a Legion of one million could be invaluable. As such, a project's ability to help us grow the Legion is an important consideration.
>
> **Strategic Benefit** - Each project Legion M completes becomes a stepping-stone to the next. We actively seek projects that allow us to "level up" by forming strategic relationships and developing new capabilities that create long-term value for our company and our partners.

**Effects of Scale on Legion M Projects**

In calculating the expenses of our projects, we account for both the money (i.e. cash investments and money spent on marketing, travel, etc.) and time (e.g. the proportional cost of staff salaries who are working on the project) spent on them. It's important to note that at this stage in our development, the financial investments we make in projects are often relatively small compared to the amount of time we spend on them. However, it's also important to note that these two expense categories scale very differently. The best way to illustrate this is to use a simplified hypothetical example:

*Legion M makes a cash investment of $100,000 in a feature film, with a return based on the success of the film. As part of the deal, we agree to host opening-weekend meetups around the country, which cost us $5,000 worth of man-hours to support and $5,000 worth of travel expenses. We also have $5,000 worth of legal, business development and management expenses associated with the project. In total, considering both our time and our cash, our investment in the project is $115,000.*

*Based on the box-office success of the film we achieve a 15% return on our cash investment, and when the contract is concluded we receive a check for $115,000. In total, we invested $115,000 (in cash, labor and expenses) and received $115,000 in return, making the project break-even.*

While the example above is both fictional and simplified, it is representative of one type of deal Legion M has engaged in. We provide it to illustrate two points that we believe are important to keep in mind when evaluating our company at this stage:

- As we grow, we expect the amount of money we have to invest in projects to get larger, whereas we expect the time we spend supporting them to stay about the same (or potentially even go down due to the development of processes and infrastructure). In the example above, if we'd invested $1 million in the film (instead of $100,000), our 15% return would yield us $1,150,000 in return, and after deducting the $15,000 worth of expenses, we'd have ended up with $135,000 in net profit rather than simply breaking even. As we grow our investor base and have more access to capital, we expect to be able to take larger positions in projects, reducing the financial significance of the costs we spend supporting them, and improving our chances of profitability when a project is successful.
- Legion M's strength is proportional to (a) the amount of money we've got to invest, (b) the size of our community, and (c) the length of our track record. We've seen over the past three years that as these factors have grown, our access to projects has increased, and the terms we've been able to negotiate have become more favorable. We expect this trend to continue.

Just as you wouldn't assess an automotive company on the profitability of its prototypes, we believe the best way to evaluate Legion M is with an eye to the future. The projects we have now are prototypes that allow us to better understand our business and demonstrate what a fan-owned company is capable of. We expect some of these projects will be financially successful and others will not but, in either case, the work we do helps us grow the Legion and "level up" to larger opportunities. In the short time we've been operating, we have already seen dramatic improvement in both our access to opportunities and our ability to execute on them. As we grow, we expect these trends to continue. If we achieve our goal of one million shareholders, there could come a day when NO project is out of reach, and it will simply be a matter of choosing which ones we want to get involved in.

**Active Projects**

As of August 2020, the following Legion M projects have either released, or will be releasing soon:

*MANDY*

In 2017, we invested in the production financing of the feature film *Mandy*, directed by Panos Cosmatos and starring Nicolas Cage, Andrea Riseborough, Linus Roache, and Bill Duke. The film opened the midnight section of the 2018 Sundance Film Festival, and ended up being one of the best reviewed films of the fest with a 100% Rotten Tomatoes score when the festival closed. Legion M partnered with SpectreVision, Umedia, and XYZ Films to help finance both the film and the score, which was one of two-time Academy Award nominee Jóhann Jóhannsson's final works before his death in 2018. The movie was picked up for distribution by RLJ films, and was released in theaters and on-demand in September of 2018.

As an equity stakeholder in the film, Legion M's return on investment comes from revenue generated by both the film and the soundtrack. In addition, Legion M secured a merchandise license for *Mandy*, and offers a robust array merchandise.

*FIELD GUIDE TO EVIL*

In early 2017, we invested in production financing for the horror anthology feature film *The Field Guide To Evil*. The film had its world premiere at the South by Southwest 2018 Film Festival, and released in theaters and on-demand March 29, 2019.

As an equity investor in the film, our return is based on revenue generated by the film.

*JAY AND SILENT BOB REBOOT*

In January of 2019, Legion M announced that we'd joined Hideout Pictures and Mickey Gooch Jr.'s Skitbags Entertainment as equity investors in Kevin Smith's *Jay and Silent Bob Reboot*, a feature film sequel to the 2001 film *Jay and Silent Bob Strike Back*. Legion M participated in the production of the movie in New Orleans, securing priority access for our investors to become extras in the film and a pair of set visits/walk-on roles.

The film released in October 2019 with a multi-prong release strategy that included two Fathom special events, a "Reboot Roadshow" featuring live performances by the films two stars Kevin Smith and Jay Mews, and openings in selected theaters around the country. The Reboot Roadshow proved to be extremely successful, and after a first run in late 2019 was extended to add a series of dates in 2020.

Legion M supported the film with activations at comic cons (including Silicon Valley, New York, San Diego and Los Angeles) prior to release, as well as over 150 meetups around the country for the 2 night Fathom event. We also secured tickets that allowed many of our investors to come to the Hollywood red-carpet premier.

As an equity investor in the film, our return is tied to the success of both the movie and the Reboot Roadshow. In addition, Legion M secured a "Jay and Silent Bob" merchandise license, and carries a robust line of merchandise in our store.

*MEMORY: THE ORIGINS OF ALIEN*

On April 26, 2019, Legion M announced a partnership with Screen Media (a division of Chicken Soup for the Soul Entertainment) to acquire the North American distribution rights for *Memory: The Origins of Alien*, a documentary that premiered at Sundance Film Festival earlier in the year. Under this partnership, we're sharing the costs and revenues from the North American distribution of the film across all outlets (e.g. theatrical, DVD, video on demand, streaming, etc). The film released in select theaters and On-Demand October 4th, and became available for purchase on VOD, DVD, and Blu-Ray November 19th.

This project was unique in that it was selected using data from Legion M's FILM SCOUT platform, where thousands of fans from around the world cast over 40,000 votes to help us evaluate potential acquisition targets. When the film launched October 4th, it became the first time that fans have united to find and help fund the distribution of a film from Sundance.

As the distributor of the film (in partnership with Screen Media), Legion M earns a portion of almost every dollar earned from theatrical ticket sales, DVD sales, VOD sales/rentals, licensing/advertising fees paid by streamers, merchandise sales, etc. It's worth noting that the film was released in 2019, which was the 40-year anniversary of *Alien*. We (in partnership with Screen Media) own distribution rights for the next 20 years, which means we will still own the rights to this film when the 50th and 60th anniversaries of the film roll around in 2029 and 2039.

In addition, Legion M secured licenses from the Dan O'Bannon and H.R. Giger estates that allow us to sell a limited line of merchandise tied to the film.

*ARCHENEMY*

On November 14, 2019, Legion M announced that it had joined SpectreVision as executive producer and financier of the upcoming feature *Archenemy*, a gritty, hard-edged epic that turns the superhero genre on its head. The film stars Joe Manganiello (*Magic Mike, True Blood, Rampage*) and was written/directed by Adam Egypt Mortimer (*Daniel Isn't Real*) from a story by Mortimer and Lucas Passmore.

When the film went into production in late 2019, Legion M secured a number of perks for investors, including set visits, the ability to be an extra in the film, and the ability to be a part of the film by donating goods or services. One Legion M investor's car was cast in the film, giving them the opportunity to be on set for much of the shooting.

As of August 2020, the film is currently in post-production with release expected in 2021.

As an equity investor in the film, Legion M's return will be based on the revenue generated by the film. We've also secured a merchandising license for the film, and plan to produce a robust line of merchandise.

*THE LEFT RIGHT GAME*

In May of 2020, Legion M announced a partnership with QCODE Media for the limited audio podcast series "The Left Right Game" co-produced by and starring Tessa Thompson. Structured similar to some of our Film P&A Investments, Legion M is investing money and "in-kind value" for a potential cash return based on the success of the podcast. We also secured merchandising rights for the podcast as part of the deal, and have a line of products for "The Left Right Game" in the Legion M store.

In the case of "The Left Right Game," Legion M got involved with the podcast after the series had already begun releasing and the rights to a television series (which are not included in our deal) had already been secured by Amazon Studios. Because of this, our investment in the project is fairly small (compared to all the other projects on our slate). We see it primarily as a way to "dip a toe" into this business model and build a relationship with QCODE and Amazon.

*SAVE YOURSELVES!*

In June 2020, Legion M announced a partnership with Bleecker Street Media for the release of *Save Yourselves!*, a sci-fi comedy written and directed by Eleanor Wilson and Alex Huston Fischer, and starring Sunita Mani ("Mr. Robot," "Glow") and John Reynolds ("Stranger Things," "Search Party," *Horse Girl*). As of this writing, the film is expected to release in 2020. This project selected using data from Legion M's FILM SCOUT platform, where thousands of fans from around the world cast over 100,000 votes to help us evaluate potential acquisition targets at the 2020 Sundance Film Festival.

Legion M's return on this project will be based on success of the film in the first 2 years of release. In addition, we've secured a merchandise license for the film, and plan to produce a robust line of merchandise.

**Development Projects**

In addition to the projects above that either have released or will be releasing in 2020, Legion M also has many development projects. Development generally refers to the earliest stages of the content production cycle, when production companies invest time, money, and "sweat equity" to develop, package, and sell movies, TV series and other entertainment projects. The goal of development is to package a project and then sell it to a studio, network, distributor, sponsor, or other buyer so the project can be produced. For more information, please see the "How We Make Money" section above.

While many of Legion M's development projects have not been announced, some of those that have been publicly announced are listed below:

*THE EMPEROR'S BLADES*

On December 16, 2019, Legion M announced it had acquired rights to develop Brian Staveley's epic fantasy trilogy *The Chronicle of the Unhewn Throne* as a television series titled after its first novel, *The Emperor's Blades. The Lord of the Rings* trilogy co-producer and second unit director Rick Porras (*Forrest Gump, Contact*) and writer/producer Robbie Silverman (*Hero*) join as executive producers. Legion M attached two unannounced showrunners and engaged with world-famous Weta Workshop (*Lord of the Rings, Avatar, Blade Runner 2049, Mad Max: Fury Road*, etc.) to develop concept artwork.

As of August 2020, we are working with our partners at Endeavor Content to find a financing partner for the series.

*GIRL WITH NO NAME*

In October of 2018, Legion M announced a partnership with Co-Op Entertainment's Laura Ivey (*Walking Out, Ithaca*) and Tanya Wexler (*Hysteria*, *Buffaloed*) to develop *Girl With No Name,* a feature film and comic book based on Alex Ranarivelo's Slamdance award-winning screenplay.

In March of 2019, Legion M launched a Kickstarter for presale packages of a one-shot comic book that used select scenes from the screenplay to tell the origin story of the protagonist. In April 2019, the Kickstarter ended with over $125,000 in presales from 2,827 backers, making it the most-backed Kickstarter project of all time for the comic book category. The success of the Kickstarter campaign has generated not just revenue but also traction for the IP that we believe will be of use in the further development, packaging, and selling of the project.

As of this writing (August 2020), we're working with the producers and our partners at Endeavor Content to package and finance the film.

*ICONS: FACE TO FACE*

"ICONS: Face to Face" is a virtual reality interview series that allows fans to stand face to face with the luminaries, titans and leaders of our time. Created using state-of-the-art virtual reality recording technology, these "virtual time capsules" allow fans to get as close as technologically possible to the people who shape our world.

Imagine if you could go back in time and spend an hour with William Shakespeare, Joan of Arc or Martin Luther King, Jr.? Today's technology gives us an unprecedented opportunity to capture and preserve the legacy of today's icons - told in their own voice and defined on their own terms. By building a library of interviews, Legion M aims to preserve these stories in a way that can inspire people all around the globe; now and for generations to come,

In January 2017, Legion M filmed a pilot episode of the "ICONS" series featuring the legendary Stan Lee. Considered by many to be one of the greatest storytellers of our time, Stan is the co-creator of the Marvel Universe including Spiderman, The X Men, The Avengers, The Fantastic Four, The Incredible Hulk, Iron Man, Dr. Strange, and many, many more. In addition to Stan, we also had the opportunity to interview Joan Lee, his wife of nearly 70 years. The host and interviewer for the pilot was director, actor, author and comedian Kevin Smith — a pop culture Icon in his own right. The experience was shot in Stan Lee's Los Angeles home.

In capturing these once-in-a-lifetime interviews, we used state of the art (for its time) technology designed to maximize the fidelity of the footage. The resolution of the camera/lens combination captured footage at the threshold of human perception, putting the viewer at the center of an intimate conversation with a 360-degree view of the room in Stan's home where the interview took place.

While VR capture technology is continuing to rapidly advance, Stan and Joannie are sadly no longer around (Joannie passed away in 2017, and Stan followed in 2018). We believe our footage is one of the last comprehensive interviews with Stan, captured in excruciatingly high fidelity with one of his closest friends and the love of his life. We believe this footage has potential to provide value for generations to come.

"ICONS: Face to Face" and the rights to the Stan Lee footage is wholly owned by Legion M. As of this writing (August 2020) the project is on hold pending resolution of matters outside of Legion M's control.

*EVERMOR*

In March of 2018, Legion M announced the development of a one-hour sci-fi fantasy Steampunk series named "Evermor," created by Legion M members Perry Covington and Erik Figi. In February of 2019, Legion M announced that Andrew Cosby (writer of the 2019 *Hellboy* movie and co-creater of SyFy's hit series "Eureka") has attached to the series as showrunner. As of this writing (August 2020), we're working with our partners at Endeavor Content to try and sell the series.

*PITCH ELEVATOR*

Anybody can have a great idea for a movie or TV show but very few people have the connections necessary to get those ideas made. Legion M aims to change that with "Pitch Elevator".

In October of 2016, we built a full-size elevator set on the show floor of Stan Lee's Los Angeles Comic Con. Inside were a cameraman and a countdown timer. Guests were invited to step inside and give a two-minute pitch for their movie, television show or virtual reality idea.

Between the Elevator at Comic Con and an online submissions period, we captured over 400 pitches. We then built an online game that allowed members of the Legion to evaluate the pitches and narrow them down to the top 33. Once that was complete, we created a treatment for a digital series that would allow us to narrow the field to one champion that will win a development deal with Legion M.

The "Pitch Elevator" activation and digital series is wholly owned by Legion M. We feel this is a great project for Legion M as it provides both in-venue activation opportunities and compelling content that help promote Legion M. As of August 2020, we are actively using the first season's content to build a prototype of the series on our LegionM.TV Twitch channel.

*AIRSHIP COWBOYS*

In March of 2018, Legion M announced "Airship Cowboys," a half-hour adult animated comedy created by Legion M members Adam Beason and Jed Rigney. This project is currently in development.

*MALICE*

In March of 2018, Legion M announced "Malice," a one-hour drama series created by Legion M member Evan Wasserstrom. This project is currently in development.

*JOINTLY DEVELOPED PROJECTS WITH CSS ENTERTAINMENT*

In December 2018, Legion M and Chicken Soup for the Soul Entertainment, Inc. ("CSS Entertainment") announced a strategic partnership to jointly source, develop and produce community driven original content.

**Completed Projects**

Once a project has reached a point where we don't expect it to earn significant additional revenue, we consider it completed. As of August 2020, Legion M has the following completed projects.

*COLOSSAL*

In early 2017, we participated in the theatrical release and marketing of the feature film *Colossal* starring Anne Hathaway and Jason Sudeikis. We partnered with distribution company Neon Rated, LLC on the P&A for the platform release which began on April 7, 2017. As part of the release of *Colossal* in April 2017, we hosted meetups all over the country with hundreds of Legion M members and investors attending and creating buzz to help the film's box office performance. We also produced and sold *Colossal* merchandise in the Legion M store. This project was completed in 2017.

*STAN LEE CELEBRATION*

On July 18, 2017, Legion M united fans around the world to give comic book icon Stan Lee a once-in-a-lifetime gift—an imprint ceremony at the TCL Chinese Theatre IMAX. This was the first time in history that fans united to present such an honor, and industry luminaries such as Marvel president Kevin Feige, comedian/director Kevin

Smith, SPAWN creator Todd McFarlane, S.H.I.E.L.D. star Clark Gregg and BLACK PANTHER star Chadwick Boseman presented speeches during the ceremony, followed by press interviews and meet and greets with Stan for fans and sponsors.

After the hand and footprint ceremony, Legion M hosted a "Tony Stark House Party" at a 9,000 square foot mansion in the Hollywood Hills for Stan and his 500 biggest fans, which was captured by a professional livestream production crew and broadcast to over 100,000 people watching live on Twitch. We monetized both the ceremony and after party with sponsorships, tickets and merchandise sales.

We had exceptional media coverage of the event, with dozens of outlets covering the ceremony (including a feature story in Variety Magazine), generating an estimated 11+ million media impressions, and creating a terrific PR moment for Legion M and our investors.

As the producer of this event, Legion M covered all the costs associated with the handprint ceremony and party, and monetized the events with sales of sponsorships, tickets, and merchandise. This project was completed in 2017.

*BAD SAMARITAN*

In 2018, we partnered with Dean Devlin's production and distribution company Electric Entertainment, Inc., forging an innovative P&A investment for the release of their feature film *Bad Samaritan* starring David Tennant and Robert Sheehan. The film released on May 4, 2018 on over 2,000 screens in North America. In support, Legion M volunteers organized over 130 opening weekend meetups around the country. This project was completed in 2018.

*EXCELSIOR! A CELEBRATION OF THE AMAZING, FANTASTIC, INCREDIBLE & UNCANNY LIFE OF STAN LEE*

On January 30, 2019, Legion M partnered with Stan Lee's POW! Entertainment, Kevin Smith's Smodco, and Agents of Mayhem to produce the official public memorial service for Stan Lee, who passed away in late 2018. Held in the TCL Chinese Theatre IMAX in Hollywood, California, the event brought fans and talent together to celebrate the life of a man who inspired so many. In addition to courtyard ceremonies with a veteran color guard and press interviews, there were eulogies, poetry readings and panels with such luminaries as Mark Hammill, Lawrence Fishburne and Seth Green. The entire evening was hosted by Kevin Smith, and the event was used to raise awareness and funds for Stan Lee's charity of choice, The Hero Initiative. Legion M underwrote a significant cost of the production, which was partially reimbursed through sponsorships and tickets sales. As a memorial and tribute benefiting a non-profit foundation, this project was not intended to make money for the company, but to "give back" the Stan and the community of fans who loved him (see "How We Make Money – Live Events" for more information).

*TOLKIEN*

In March of 2019, Legion M announced a partnership with Fox Searchlight (now owned by Disney) for the feature film *Tolkien*, which opened on May 10th in the US and May 3rd in the UK. Legion M supported the movie with meetups and online promotions in the US and UK in exchange for revenue, co-marketing, and other exclusives related to the film.

**Burn/Runway Analysis**

Managing burn rate (the rate at which we're spending money) and runway (the amount of money we have available to us) is one of the most critical aspects of running a startup. If you spend too fast, the company can run out of money. If you spend too slow, you may never get off the ground. Both of these can be fatal for the company.

In conjunction with the information above, we thought it might be useful to explain how we think about our spending. In general, we consider our expenses to fall in one of four categories:

### *Management and Overhead*

These are the "costs of doing business"—things like office space, accounting, management, human resources, IT, etc. Our goal as we grow is to keep these expenses as low as reasonably possible. For example, having a small, tight-knit team minimizes the need for management overhead and infrastructure. We don't have administrative assistants, fancy office space, or the layer of management and infrastructure required for a larger organization. We travel coach class on discount airlines, and double up in hotel rooms or even crash on friend's couches whenever possible to save on travel costs. Our founders have taken big pay cuts to work at Legion M, and are working for salaries well below their previous jobs or what they could make elsewhere. We do this because our upside with Legion M is the same as our investor's – the value of the stock – and we want to every dollar we spend to grow that value.

### *Growing the Legion*

As described above (see "Management Evaluation of Operating Results"), we believe that growing the size of our community is the single best way for us to increase the value of our company. Everything we do – from our projects to our activations at comic cons and film festivals – is done with an eye towards how it can help us grow our Legion of members and investors.

The money we spend on growth varies greatly from month to month. As a data driven company (both our founders have deep Silicon Valley roots), our focus is finding cost-effective ways to promote and grow the Legion. For example, we've found that online advertising is a good way for us to find new investors. The great thing about this sort of marketing is we can measure the conversion rate of each campaign, and scale it accordingly. If a campaign is converting at a reasonable cost, we turn it up. If it's not we turn it off. We're willing to spend quite a lot of money on marketing like this, but only if we know it's being spent efficiently.

Another example of a technique we use to grow the Legion is strategically partnering on projects. We've found that marketing Legion M in the context of our projects (e.g. "Join the fan-owned company that helped bring Jay and Silent Bob back to the big screen!") is one of the most efficient ways for us to grow the Legion. Most of the activations we use to promote our projects involve things like marketing on social media, hosting panels at comic-cons, and organizing volunteer meetups – all of which are all effective ways for us to grow our community.

### *External Project Expenses*

The financing, development, and monetization of entertainment projects is the engine that will eventually drive our business. To date, this includes external projects (*Colossal, Mandy, Field Guide to Evil, Bad Samaritan, Memory: The Origins of Alien, Jay and Silent Bob Reboot, Archenemy, Save Yourselves!, The Left Right Game)* that we invest in, as well as internal projects (e.g. *The Emperor's Blades*, "ICONS: Face To Face," "Pitch Elevator," *Girl with No Name*, "Evermor," "Malice," "Airship Cowboys") that we develop ourselves.

At this point in the company's development, each project is a stepping stone to help us grow our community and establish Legion M in the industry. As you can see in the section "How We Make Money", we're actively experimenting in many different realms with many different models. While every investment we've made so far has been done with an intent to make a profit (with the exception of the *Celebrating Stan Lee* Event and *Excelsior! Stan Lee Tribute* benefiting the Hero Initiative), we believe there is also significant value in these early projects' ability to grow our community, strategically "level up" within the industry, and serve as prototypes that allow us to better understand the opportunities and challenges of activating our first-of-its kind community.

### *Internal Project and Business Development*

This is the equivalent of "R&D"—the resources we spend cultivating and developing new projects and opportunities. Some examples include:

- Creating and cultivating relationships with partners (studios, agents, talent, distributors, production companies, sponsors, etc.) who may have projects we're interested in, or might be interested in our projects.

- Negotiating partnerships and acquiring rights associated with films, books, scripts and other entertainment content.

- Reading and evaluating scripts and project proposals.

- Developing internal ideas (e.g. brainstorming, writing treatments, packaging projects, etc.) and external ideas (e.g. spec scripts, TV pitches, etc.) with our partners.

- Pitching projects to potential buyers and/or financiers.

- Developing new lines of business (e.g. merchandise, event sponsorships) for Legion M and our projects.

- Developing technology (e.g. SCOUT, M-Pulse, Meetup Maker) that allow Legion M to harness the power of our community).

Most of the activities for this category are undertaken by our existing team, which means the costs are largely reflected in the cost of compensation for our employees and contractors.

***Other Considerations***

As described above, our goal is to keep overhead expenses as low as possible so we can maximize the amount of money spent on growing the Legion and developing entertainment projects. That said, over time we expect some increases in our operating expenses in the following areas:

- Having successfully proven many of the key tenants of our proposition, we now consider Legion M in a growth phase. As such, we plan to continue spending on marketing that will help grow the Legion M community.

- As we grow, we may add additional staff and/or part-time employees/contractors to execute our business plan. As of August 2020 we do not currently have any additional open positions, but that may change in the future. As a rule, we are very careful and slow to hire, as we want to ensure we’re closely managing our burn rate.

- Compensation for Legion M’s top executives is significantly below market rates for their experience/position and well below the compensation they earned at previous companies. This is common for executives during the startup phase, but as the company matures we expect to increase executive pay closer to market levels.

- Currently our team primarily works remotely, and while we pay a monthly fee for conference room space in Century City, CA, we don’t have costs associated with dedicated office space (e.g. rent, utilities, furniture, reception staff, etc.). As we continue to grow, our needs may change, which could increase our monthly fixed costs.

**Liquidity and Capital Resources**

As of August 1, 2020, Legion M had approximately $596,934 in cash on hand.

In May 2020 we received a loan made available under the Paycheck Protection implemented under the CARES Act in response to the COVID-19 crisis. This loan allowed us to borrow $139,867 from the SBA to fund payroll. If we're able to meet certain conditions, most or all of the loan will be forgiven. As of this writing (August 2020), we expect to meet the conditions that will allow the entire loan to be forgiven.

We do not currently have any other loans. We have not committed to make any capital expenditures. We have no bank line of credit or other financings arranged aside from a corporate American Express credit card.

Over time, we expect to launch many more additional rounds of funding. Our long-term goal is to have one million shareholders as owners of the company. We believe that could make us one of the most influential companies in Hollywood. That said, we cannot guarantee that we will have sufficient capital to finance our growth and planned business operations in the future or that such capital will be available to us on terms that are favorable to us. We are currently incurring operating deficits that are expected to continue for the foreseeable future. We’ve had six successful rounds of equity crowdfunding so far, and are planning more in the future. If we fail to raise adequate funds from future rounds, our plan would be to reduce operating expenses and conserve cash while seeking additional funding and finance partners.

**COVID-19**

Like every other company on the planet right now (August 2020), Legion M faces a great deal of uncertainty regarding potential impacts of the unprecedented societal and economic shifts precipitated by the COVID-19 pandemic. We wanted to take a moment to share our current view of the situation, and talk about some of the steps we've taken to face it.

***What We're Seeing***

From an industry perspective, we're as bullish as ever on the long-term potential of Legion M (though as always, please read our “Risk Factors”). The entertainment industry isn't going anywhere, and if history is any guide it will likely flourish as humankind deals with COVID-19. Some areas of the industry (e.g. theatrical releases) will likely suffer while other areas (e.g. online streaming) will likely grow, but on the whole, we firmly believe that the need to "escape reality" and bring light into dark times is universal. And as a small, nimble startup we believe Legion M is well positioned to adapt and navigate a rapidly changing marketplace.

***Merchandise***

To date (August 2020), we haven't seen a substantial impact to our 2020 merchandising revenues, although we expect that could change. Sales of merchandise from the Legion M online store are up compared to 2019 as we've expanded our offerings, but sales from brick and mortar retailers (e.g. Hot Topic) and in-venue sales at events (e.g. Comic-Cons) have been severely impacted, and face an uncertain future. Neither of these were significant revenue streams in 2019, but we were expecting them to be a growing part of our revenues in 2020.

***Existing Projects/Investments***

As of this writing (August 2020), it doesn't appear that any of our existing film projects have been severely impacted, although we were very fortunate timing-wise when it comes to the *Jay and Silent Bob Reboot Roadshow* (which finished in January) and the shooting of the film *Archenemy* (which also wrapped in January). Had the virus hit a couple months earlier, we could have seen substantial impacts to both of those investments. Impact on the release of *Archenemy*, which is expected to release in 2021, remains to be seen.

The release of *Save Yourselves* (see ”Active Projects”) was originally planned for this summer, and has been dramatically affected by COVID-19 and uncertainty around the dates of movie theater re-openings. This has led to a minor reduction in revenue Legion M expects to report in 2020, but also a reduction in expenses required to support it. Overall, it’s still unclear whether shifting release patterns will have a positive or negative impact on Legion M for this film.

***Future Projects/Investments***

The impact on potential future film projects remains to be seen. Some of the tactics we've used in the past to promote movies (e.g. Comic-Con activations and opening weekend meet-ups) may not be possible for some time, and even then it's possible that more distributors will dramatically change their release strategies (e.g. opting to release films directly to digital rather than into theaters). That said, the need to market films is just as important for online distribution as it is for theatrical distribution, and many of the tactics Legion M uses (e.g. grassroots social sharing, viewing kits, merchandise bundling, online Q&A's, etc.) will likely become even more important than ever. As you can see in the "What We're Doing" section below, we're doubling down on the areas we believe will be most effective moving forward.

***Development Projects***

As for the development side of our business (i.e. projects like *The Emperor's Blades* that we're trying to package and/or sell), we have not seen a substantial impact to our business prospects. We were working with Endeavor Content to set pitch meetings for one of our TV projects just about the time widespread lockdown measures went into effect, and while this resulted in a delay of a few weeks those materials still went out – the pitches were simply done over videoconference rather than face to face. All signals we've seen are that buyers are still buying, and it stands to reason that streamers are as hungry for new content as they've ever been. One step that we've taken is increasing our focus and resources for projects that can be done with social distancing restrictions in place (e.g. diverting focus from projects with a near-term need for large crews, sets, or face to face interaction and refocusing on projects that can move forward while respecting social distancing guidelines).

***Fundraising***

We believe that the biggest potential threat of COVID-19 for Legion M is on our fundraising. While we're as bullish as ever on the long-term potential for what we're doing, we're also a startup company, which means our ongoing operations are reliant upon raising funds from investors. Further, as a company whose competitive advantage is measured by the size of its community, we believe it's important for us to continue growing the Legion.

We've seen mixed signals on the fundraising front since the beginning of this crisis. Many public reports indicate that equity-crowdfunding is growing -- potentially as a reaction to short-term volatility in the stock market and/or the fact that people have more time to spend at home surfing the internet. That said, in a time where many people are looking at significant reduction in wages and other economic hardships, spending $100 to make a long-term investment in a high risk startup may be a luxury that some can no longer afford.

Our 6$^{th}$ round of fundraising closed on April 29$^{th}$ – since then we haven't been open for new investments. This is an area we'll be monitoring very closely, and actively taking steps (including some of those listed below) to learn and adapt to the new environment.

***What We're Doing***

In mid March 2020, Legion M developed a plan for adapting to potential disruptions caused by COVID-19. As of this writing (August 2020), the following steps have been implemented:

- We've cut back wherever possible to extend our cash runway. We've eliminated and/or dramatically reduced non-essential contractors, slashed spending on travel, and furloughed two part-time employees.
- We've implemented voluntary staff pay cuts. As a team we decided we were all willing to take voluntary pay cuts to give Legion M the best chance of surviving this difficult time. Our CEO Paul Scanlan voluntarily reduced his pay 50% until the PPP loan (see below) was secured and then moved to a 20% reduction. Most employees (including executive and board members Jeff Annison and Terri Lubaroff) also agreed to a 20% reduction.
- We received a loan made available under the Paycheck Protection Program (PPP) implemented under the CARES Act. This loan allowed us to borrow $139,867 from the SBA to fund payroll. If we're able to meet certain conditions, most or all of the loan will be forgiven. As of this writing (August 2020), we expect to meet the conditions that will allow the entire loan to be forgiven.
- We launched a Twitch channel. In early April, we soft launched the LegionM.TV channel on Twitch.com in an effort to engage our community online and potentially develop a new revenue stream through subscriptions and advertising.
- We're exploring a number of new "COVID-resistant" marketing channels (e.g. strategic partnerships, affiliate sales, etc.) that we believe will help grow our community and market our projects and initiatives.
- We developed a Rewards program in this Round 7, which allows investors to receive rewards from

COVID-affected businesses we love (e.g. movie theaters, comic-con vendors, etc). The goal of this program is to band together with our allies for joint marketing/sales that will benefit our partners with revenue, Legion M with a new avenue of marketing, and our investors with free perks!

- We've shifted our development focus away from projects that have near-term requirements for large crews, sets, etc., and redirected towards projects that can be developed and produced under social distancing guidelines.
- We've refocused merchandising efforts away from in-person events (e.g. Comic-Cons) and towards online growth, including launching an affiliate program.
- We've been working with Endeavor Content to identify and connect with partners that could be a good fit for strategic funding.
- We partnered with San Diego Comic Con, Wondercon, and "Virtual Pop Expo" to participate in online versions of Comic Cons.

**Trends**

***General Industry Trends***

Film, television and digital entertainment is a global industry that generates trillions of dollars in revenue each year. Home to some of the largest and best known corporations in the world (from Disney, Sony, and Warner Brothers to Netflix, Amazon and Apple), it is an extremely complex and competitive industry with stakeholders ranging from content creators and studios to networks, distributors, and technology companies.

As the industry grows, it's constantly evolving. In recent years, changes in technology and consumer habits have ushered dramatic shifts in the industry, including the proliferation and success of global OTT ("over the top") services such as, Netflix, Amazon and Hulu, the advent of new steaming services such as Disney+, Quibi, HBO Max, Peacock and AppleTV, the rise of new technologies like interactive TV and Virtual Reality, and the growth of non-traditional models such as PPV (pay per view), VOD (video on demand), SVOD (subscription video on demand) and AVOD (advertising supported video on demand).

We believe that disruption of the entertainment market has created (and will continue to create) an unprecedented opportunity for a fan-owned company like Legion M. That's because no matter how the technology or industry landscape changes, the one thing that remains constant is the importance of the audience. It's the collective eyeballs and wallets of viewers around the world that fuel the industry, and we believe that by building a company owned by fans we're creating a strategic advantage resilient to changes in technology and consumer behavior and building a business that can stand the test of time.

***Company Trends and Activities***

The following sections contain a discussion of some, but not all, of our planned activities in the coming months. There's no guarantee that we'll follow this plan, or be able to execute it successfully, especially in light of the COVID-19 issues discussed above. As a startup, we're constantly changing and evolving as we react to current opportunities and market conditions. That said, the information below may be useful in understanding the way we look at the business.

*GROWING THE LEGION/FUNDRAISING*

At this point in the company's development, we believe that growing the size of our community is the single best way for us to increase the value of our company. That's because the strength, power, and value of our company depends on the size and strength of our community. As our Legion of fans grows, so will our access to high quality entertainment projects and our ability to market and support these projects.

Growing the number of investors in the company is also critical in that it provides the capital necessary for our growth. While we are open to the prospect of bringing in strategic investors to increase our capital reserves, we are first and foremost a company designed to be owned by FANS. While it may be harder to bring in a large amount of capital $100 at a time, we believe the company is stronger because of it.

Marketing is extremely important for us to grow the Legion. In general, we plan to spend up to 50% of the money we raise from our crowdfunding offering marketing and promoting the Legion. The money we spend on marketing builds our brand, enhances our public visibility, and grows our community. This in turn drives growth of the Legion, and increases our competitive advantage. Some of the primary marketing channels we expect to use include:

- Online advertising;
- Attending and/or exhibiting at conventions and film festivals;
- Community events (i.e. Meetups);
- Creating and encouraging viral sharing opportunities for our members;
- Public relations, including speaking on panels and creating bylines for publication;
- Sponsoring of events/activities;
- Referral programs;
- Developing, printing, and distributing promotional materials (i.e. promo cards, buttons, stickers, etc.) that enable members of our Legion of fans to help spread the word; and
- Developing strategic partnerships with 3rd party companies.

Our marketing costs fluctuate heavily based on business conditions. If a method of marketing is successful (meaning that it is effective at growing the Legion) we increase our spending. If it's not effective, we can turn it down or even shut it off completely. For more information, please read the "Burn/Runway Analysis" section of this document.

*PROJECT DEVELOPMENT*

Aside from growing the Legion, we expect to continue developing entertainment projects. The amount of money we invest in projects will depend heavily on the results of our future fundraising rounds. In general, we've seen an upward trend in our budgets as the company and our capital resources have grown. As described in the "Effects of Scale on Legion M Projects" section of this document, in many cases increased capital investment can result in increased ROI and can also improve our negotiating position. As such, we hope to continue making larger investments in larger projects as the company scales.

Our goal as a company is to maintain a slate of projects that is diversified across genre (i.e. comedy vs. horror), medium (i.e. feature film vs. TV vs. virtual reality) and risk profile (i.e. high risk, early stage projects vs. lower risk, late stage projects). As described in the "How We Make Money" section of this document, the range of projects on our slate is quite large, and we expect it to continue to grow as we experiment and evolve.

*BUSINESS DEVELOPMENT*

Since inception, Legion M has seen steady growth in our access to partners and deals. We plan to continue investing in business development to generate business and marketing opportunities for Legion M. This activity consists of sourcing entertainment projects, sourcing distribution channels, producing events and marketing opportunities, networking with potential advisory board members and/or board of directors' members and potential marketing partners.

*HARNESSING THE POWER OF THE COMMUNITY*

One of Legion M's foremost assets is our community of investors and members. We've seen firsthand how the talents and efforts of our most enthusiastic investors can be used to contribute to the success of their company. As such, we are constantly seeking ways to engage our community and expect to continue devoting time and resources to developing tools, infrastructure, and processes that allow us to harness its power. Some examples include:

- Meetup Maker: an online tool that allows Legion M volunteers to organize local meetups in their area for movie premieres, and other Legion M meetups.
- SCOUT: a mobile phone app that allows Legion members/investors to become Legion M scouts and help evaluate potential projects at film festivals.
- Mogul: an online system that enabled Legion M members/investors to rate and evaluate over 400 pitches as part of the Pitch Elevator project.
- M-Pulse: an online system that allows Legion M investors to rate and evaluate Legion M's past, present,

and future slate of projects.

- Legion M Members-Only Facebook Group: a Facebook group that gives members and investors of Legion M the opportunity to communicate directly with the Legion M executives and staff.
- LegionM.TV, a channel on Twitch.com that allows us to host interviews, AMAs, and other content that allows us to engage and interact with our community.

**Relaxed Ongoing Reporting Requirements**

If we become a public reporting company in the future, we will be required to publicly report on an ongoing basis as an “emerging growth company” (as defined in the JOBS Act) under the reporting rules set forth under the Exchange Act. For so long as we remain an “emerging growth company”, we may take advantage of certain exemptions from various reporting requirements that are applicable to other Exchange Act reporting companies that are not “emerging growth companies”, including but not limited to:

- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act;

- taking advantage of extensions of time to comply with certain new or revised financial accounting standards;

- being permitted to comply with reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and

- being exempt from the requirement to hold a non-binding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

If we become a public reporting company in the future, we expect to take advantage of these reporting exemptions until we are no longer an emerging growth company. We would remain an “emerging growth company” for up to five years, although if the market value of our Common Stock that is held by non-affiliates exceeds $700 million as of any June 30 before that time, we would cease to be an “emerging growth company” as of the following December 31.

If we do not become a public reporting company under the Exchange Act for any reason, we will be required to publicly report on an ongoing basis under the reporting rules set forth in Regulation A for Tier 2 issuers and Regulation CF. The ongoing reporting requirements under Regulation A are more relaxed than for “emerging growth companies” under the Exchange Act. The differences include, but are not limited to, being required to file only annual and semiannual reports, rather than annual and quarterly reports. Annual reports are due within 120 calendar days after the end of the issuer’s fiscal year, and semiannual reports are due within 90 calendar days after the end of the first six months of the issuer’s fiscal year. Regulation CF requires only annual report, which are due at the same time as the annual reports under Regulation A.

In either case, we will be subject to ongoing public reporting requirements that are less rigorous than Exchange Act rules for companies that are not “emerging growth companies”, and our shareholders could receive less information than they might expect to receive from more mature public companies.

## RECENT OFFERINGS OF SECURITIES

Since it began its operations in 2016, the company has engaged in the following offerings of securities:

- In April and May of 2016, the company sold $418,324 in convertible notes pursuant to Rule 506(b) of Regulation D. The company used the proceeds from that offering for general operations.
- In August 2016, the company sold 142,857 shares of Class A Common Stock under Regulation CF for a total of $999,999. The company used the proceeds from that offering for project investments, general and administrative, compensation and benefits, sales and marketing, independent contractors, professional fees, cost of goods sold, and travel.
- In August 2016, the company sold 27,646 shares of Class A Common Stock pursuant to Rule 506(c) of Regulation D for a total of $193,522. The company used the proceeds from that offering for project investments, general and administrative, compensation and benefits, sales and marketing, independent contractors, professional fees, cost of goods sold, and travel.
- From March 2017 through September 2017 the company sold 251,049 shares of Class A Common Stock under Regulation A for a total of $1,875,336.03. This includes shares that were issued in 2018. The company used the proceeds from that offering for project investments, general and administrative, compensation and benefits, sales and marketing, independent contractors, professional fees, cost of goods sold, and travel.
- From July 2017 through September 2017, the company sold 22,482 shares of Class A Common Stock under Regulation CF for a total of $167,940.54. This includes shares that were issued in 2018. The company used the proceeds from that offering for project investments, general and administrative, compensation and benefits, sales and marketing, independent contractors, professional fees, cost of goods sold, and travel.
- From May 2018 through July 2018, the company sold 108,400 shares of Class A Common Stock under Regulation CF for a total of $901,888. The company used the proceeds from that offering for project investments, general and administrative, compensation and benefits, sales and marketing, independent contractors, professional fees, cost of goods sold, and travel.
- In April 2018, the company sold 11,261 shares of Class A Common Stock under Regulation D for a total of $99,998. The company used the proceeds from that offering for project investments, general and administrative, compensation and benefits, sales and marketing, independent contractors, professional fees, cost of goods sold, and travel.
- From October 2018 through March 2020, the company sold shares of Class A Common Stock under Regulation A. The company raised $5,647,168 from sales of 601,789 shares at $8.32, $8.88, $10.00 and $10.65. The company used the proceeds from that offering for project investments, general and administrative, compensation and benefits, sales and marketing, independent contractors, professional fees, cost of goods sold, and travel.
- From October 2019 through April 2020 the company sold 27,176 shares of Class A Common Stock under Regulation CF for a total of $287,474. The company used the proceeds from that offering for project investments, general and administrative, compensation and benefits, sales and marketing, independent contractors, professional fees, cost of goods sold, and travel.

## DIRECTORS, EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES

The company's executive officers and directors are as follows;

| Name | Position | Age | Term of Office (if indefinite, date appointed) | Approximate hours per week (if part-time)/full-time |
|---|---|---|---|---|
| Executive Officers: | | | | |
| Paul Scanlan | Co-Founder, Chief Executive Officer, Chief Financial Officer and Treasurer | 50 | Appointed to indefinite term of office.<br><br>March 9, 2016 | Full-time |
| Jeff Annison | Co-Founder and President | 48 | Appointed to indefinite term of office.<br><br>March 9, 2016 | Full-time |
| Terri Lubaroff | Chief Operating Officer, Secretary | 47 | Appointed to indefinite term of office.<br><br>Nov. 15, 2017 | Full-time |
| Directors: | | | | |
| Paul Scanlan | Director | 50 | Appointed to indefinite term of office.<br><br>March 4, 2016 | |
| Jeff Annison | Director | 48 | Appointed to indefinite term of office.<br><br>March 4, 2016 | |
| Terri Lubaroff | Director | 47 | Appointed to indefinite term of office<br><br>November 15, 2017. | |

**Paul Scanlan – Co-founder, Chief Executive Officer, Chief Financial Officer and Treasurer**

Paul Scanlan is Legion M's Co-Founder and has been the Chief Executive Officer of Legion M since its inception in March 2016. Immediately before that, Mr. Scanlan was Cofounder and President at MobiTV. In 1999, Mr. Scanlan co-founded MobiTV, Inc., a leader in monetizing media outside the living room. From 2007 to 2016, Mr. Scanlan was the President of MobiTV and played a crucial role in MobiTV's success from a start-up to a market leader in a fast growing space. Mr. Scanlan continues to serve as a director on the MobiTV board. In 2005, Mr. Scanlan and his MobiTV team earned an Emmy Award for Technical Achievement in Advancing Television, and his accomplishments at MobiTV were profiled in 2011 in Tarang Shah's book, "Venture Capitalists at Work: How VCs Identify and Build Billion-Dollar Successes." Mr. Scanlan serves as an adjunct lecturer of entrepreneurship for Northwestern Kellogg and earned his Bachelor of Science degree in Radio, TV & Film from the University of Wisconsin at Madison.

**Jeff Annison – Cofounder & President**

Jeff Annison is Legion M's Co-Founder and has been the President of Legion M since its inception in March 2016. In 2009, Mr. Annison co-founded Underground Labs, Inc., a product development studio that created innovative mobile apps and web experiences for customers such as AT&T, Sony Music, Universal Music, Coca Cola, the US Navy, the ACC (Atlantic Coast Conference), SEC (the Southeastern Conference), etc. He also served as Chairman of the New York Rock Exchange (a product of Underground Labs), which allows fans to purchase commemorative shares of individual songs. From 2009 to 2016, he was the Chief Executive Officer of Underground Labs. Immediately prior to founding Underground Labs, Mr. Annison co-founded MobiTV in 1999. From 1999 to 2009, Mr. Annison led MobiTV's engineering and product development teams, scaling operations from 3 to 300 employees, growing to over 25 million paying subscribers and winning an Emmy Award for Innovation in Television. Prior to 1999, Mr. Annison designed toys for Hasbro and theme park rides for Universal Studios. Mr. Annison earned his Bachelor degree of Science in Mechanical Engineering from University of California, Los Angeles.

**Terri Lubaroff – Chief Operating Officer, Secretary**

Terri Lubaroff, Esq. is Chief Operating Officer and Corporate Secretary of Legion M. She started at Legion M as Head of Acquisition and Corporate Secretary in March 2016 and was promoted to COO in November 2017. Prior to joining Legion M, Ms. Lubaroff served as Chief Operating Officer of Meltdown Comics and Collectibles, Meltdown Entertainment, and its tech incubator Meltdown Reactor where she incubated nascent tech start-ups in the entertainment space and oversaw white label activations for companies like Microsoft and Wizards of the Coast. She served in that position from January 2014 through January 2016. Contemporaneously, Ms. Lubaroff maintained her own legal practice, both at the Lubaroff Entertainment Law (November 2013-Sept. 2016) and Lubaroff Mediation (August 2009-Sept. 2016). She also oversaw an unscripted reality series with the SyFy channel. Ms. Lubaroff has been an entrepreneur, a lawyer, a mediator and a TV and Film development executive. She previously ran Humble Journey Films, which had an overall deal at Paramount/CBS where she developed and sold nine TV pilots to networks such as NBC, CBS, BET and VH1, two of which she co-created and co-wrote. Ms. Lubaroff has also worked as a talent and literary manager and as a writer and producer in various capacities, including ghost-writing for various clients. She began her entertainment career as an actor, writer and live event producer and director. A member of the California Bar and the Florida Bar, Terri is a frequent guest speaker for the entertainment industry, most notably at San Diego Comic-Con, and was quoted about TV development in the 2008 book, "Small Screen, Big Picture." Terri studied theatre performance and directing and law at the University of Florida, with specialized training in mediation and negotiation from Pepperdine University's School of Law.

# COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

For the fiscal year ended December 31, 2019, we compensated our three highest paid executive officers and directors on as follows:

| Name | Capacities in which compensation was received | Cash compensation ($) | Other compensation ($) | Total compensation ($) |
|---|---|---|---|---|
| Paul Scanlan | CEO | $ 175,000 | $ 0 | $ 175,000 |
| Jeff Annison | President | $ 175,000 | $ 0 | $ 175,000 |
| Terri Lubaroff | COO/Head of Acquisition | $ 150,000 | $ 0 | $ 150,000 |

For the fiscal year ended December 31, 2019, we did not pay our directors in their capacity as directors. There are three directors in this group.

Note: In April 2015 Legion M implemented voluntary pay cuts in response to the COVID-19 crisis. As of this writing (August 2020) Paul Scanlan, Jeff Annison, and Terri Lubaroff, along with most of the Legion M staff, are working at 80% of their previous pay rate.

## SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN SECURITYHOLDERS

The following table sets out, as of August 1, 2020, Legion M's voting securities that are owned by our executive officers, directors and other persons holding more than 10% of the company's voting securities.

| Name of Beneficial Owner | Address of beneficial owner | Amount and nature of beneficial ownership (3) | Amount and nature of beneficial ownership acquirable (1)(3) | Percent of class (2) |
|---|---|---|---|---|
| Paul Scanlan | 1801 Century Park East, 24th Floor Los Angeles, CA 90067 | 733,331 shares of Class B Common Stock | | 44.9% |
| | | 113 shares of Class A Common Stock | | <1% |
| Jeff Annison | 1801 Century Park East, 24th Floor Los Angeles, CA 90067 | 598,251 shares of Class B Common Stock | | 36.6% |
| | | 14 shares of Class A Common Stock | | <1% |
| Directors and Officers as a group | 1801 Century Park East, 24th Floor Los Angeles, CA 90067 | 1,442,582 shares of Class B Common Stock | 91,000 shares available under stock options (4) | 88.0% |
| | | 173 shares of Class A Common Stock | | <1% |

(1) Based on a total of 1,637,243 shares of Class B Common Stock and 1,193,586 shares of Class A Common Stock, which are issued and outstanding as of August 1, 2020. Note that 2,934 shares of the Class B Common Stock are subject to vesting with vesting contingent upon continued service with the company.

(2) This calculation is the number of shares of voting securities that a person owns now, plus the number of shares the person is entitled to acquire as of August 1, 2020. That amount is then shown as a percentage of the issued and outstanding amount of securities in that class if no other person exercised their rights to acquire those securities. The result is a calculation of the maximum amount that person could ever own based on their current and acquirable ownership.

(3) All shares are directly held.

(4) The options were granted under the 2016 Equity Incentive Plan.

# INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS

None.

# SECURITIES BEING OFFERED

Legion M is offering Class A Common Stock in this offering.

Legion M's authorized capital stock consists of 20,000,000 shares of Common Stock, at $0.0001 par value, of which 17,000,000 shares are Class A Common Stock and the remaining 3,000,000 shares are Class B Common Stock. Class A Common Stock has the same rights and powers of, ranks equally to, shares ratably with and is identical in all respects, and as to all matters to Class B Common Stock; except that (i) each holder of Class B Common Stock is entitled to 10 votes per share of Class B Common Stock whereas each holder of Class A Common Stock is entitled to only 1 vote per share of Class A Common Stock, and (ii) there are certain restrictions to transfer of the Class B Common Stock that do not apply to the Class A Common Stock.

Legion M modelled its dual class stock structure after leading companies, including Google, Facebook and Berkshire Hathaway. This structure allows us to be owned by a very large group of small, non-professional investors while maintaining strong corporate governance. We feel it's important for all our shareholders' interests to be aligned, and have purposely avoided giving financial preferences or taking investment from those who insist on having them. Since our goal is to grow our Legion as large as possible, we have set the minimum investment amount per investor at $100. We expect our Legion of shareholders to be comprised of a large number of small, non-professional, or even first-time investors, with not much experience in start-ups or the entertainment industry. While we believe the opinions of these investors will be extremely helpful for us to find, develop, and promote entertainment content, we don't believe they are well suited to vote on material corporate decisions on a pari passu basis with the founders or other seasoned industry veterans who are also shareholders of the company.

The following is a summary of the rights of Legion M's capital stock as provided in its Amended and Restated Certificate of Incorporation, as amended, and Amended and Restated Bylaws.

**Class A Common Stock**

***Voting Rights***

Each holder of Legion M's Class A Common Stock is entitled to one vote for each share on all matters submitted to a vote of the shareholders. Holders of Class A Common Stock at all times shall vote together with the holders of Class B Common Stock as a single class on all matters (including the election of directors) submitted to vote or for the consent of the stockholders of Legion M.

The holders of Class A Common Stock in this offering are subject to a drag-along provision as set forth in the Subscription Agreement, pursuant to which each holder of Class A Common Stock purchased in this offering agrees that, in the event the company's board and the holders of a majority of the votes of the outstanding shares of the company's Class A Common Stock and Class B Common Stock (taking into account the 10 votes per share voting of the Class B Common Stock) vote in favor of a sale of the company, then such holder of Class A Common Stock will vote in favor of the transaction if such vote is solicited, refrain from exercising dissenters' rights with respect to such sale of the company, and deliver any documentation or take other actions reasonably required, amongst other covenants. The enforceability of such provision as it relates to appraisal rights will be subject to the provisions of Delaware law.

### *Dividends*

Subject to preferences (of which, currently there are none) that may be applicable to any then outstanding class of capital stock having prior rights to dividends, shareholders of Legion M's Class A Common Stock are entitled to receive dividends, if any, as may be declared from time to time by the board of directors out of legally-available funds. However, no dividend shall be declared or paid on shares of the Class A Common Stock unless the same dividend with the same record date shall be declared or paid on the shares of Legion M's Class B Common Stock. Legion M has never declared nor paid cash dividends on any of its capital stock and currently does not anticipate paying any cash dividends after this offering or in the foreseeable future.

## Class B Common Stock

### *Voting Rights*

Each holder of Legion M's Class B Common Stock is entitled to ten votes for each share on all matters submitted to a vote of the shareholders. Holders of Class B Common Stock at all times shall vote together with the holders of Class A Common Stock as a single class on all matters (including the election of directors) submitted to vote or for the consent of the stockholders of Legion M.

### *Dividends*

Subject to preferences (of which, currently there are none) that may be applicable to any then outstanding class of capital stock having prior rights to dividends, holders of Legion M's Class B Common Stock are entitled to receive dividends, if any, as may be declared from time to time by the board of directors out of legally-available funds. However, no dividend shall be declared or paid on shares of the Class B Common Stock unless the same dividend with the same record date shall be declared or paid on the shares of Legion M's Class A Common Stock. Legion M has never declared nor paid cash dividends on any of its capital stock and currently does not anticipate paying any cash dividends after this offering or in the foreseeable future.

### *Restrictions on Transfer*

No holder of Legion M's Class B Common Stock may sell, transfer, assign, pledge or otherwise dispose of or encumber any Class B Common Stock without Legion M's prior written consent. Legion M may withhold consent for any legitimate corporate purpose.

### *Conversion Rights*

Each share of Class B Common Stock is convertible into one share of Class A Common Stock at the option of the holder at any time upon written notice to Legion M. Except for certain permitted transfers, each share of Class B Common Stock shall be automatically, without further action by its holder, converted into one share of Class A Common Stock, upon sale or assignment.

## All Classes of Common Stock

### *Liquidation Rights*

In the event of Legion M's liquidation, dissolution or winding up, holders of Legion M's Class A and Class B Common Stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of Legion M's debts and other liabilities and the satisfaction of any liquidation preference (of which, currently there are none) granted to the holders of any then outstanding class of capital stock having prior liquidation rights.

### *Other Rights*

Holders of Legion M's Class A and Class B Common Stock have no preemptive, subscription or other rights, and there are no redemption or sinking fund provisions applicable to Legion M's Class A or Class B Common Stock.

### *Forum Selection Provisions*

Section XI of our Amended and Restated Certificate of Incorporation and Section 48 of our Amended and Restated Bylaws contain exclusive forum provisions. With a few exceptions, the Court of Chancery in the State of Delaware will be the sole and exclusive forum for any holder of Legion M's Class A and Class B Common Stock (including a beneficial owner) to bring (i) any derivative action or proceeding brought on the company's behalf, (ii) any action asserting a claim of breach of fiduciary duty owed by any director, officer or other employee, (iii) any action asserting a claim against the company, its directors, officers or employees arising pursuant to any provision of the Delaware General Corporation Law or the Corporation's certificate of incorporation or bylaws or (iv) any action asserting a claim against the company, its directors, officers or employees governed by the internal affairs doctrine.  These sections shall not apply to actions arising under the federal securities laws.

Section 7 of our subscription agreement provides that the Court of Chancery in the State of Delaware is the exclusive forum for all actions or proceedings relating to the subscription agreement. However, this exclusive forum provision does not apply to actions arising under the federal securities laws.

# PLAN OF DISTRIBUTION AND SELLING SECURITYHOLDERS

**Plan of Distribution**

We are opening this Regulation CF as part of our next round of investment in our journey to unite one million fans into our vibrant engaged community.

We are offering a maximum of 68,498 shares of Class A Common Stock on a "best efforts" basis.

The cash price per share of Class A Common Stock is initially set at $14.28, although the Effective Share Price may be lower depending on how much is invested and what Reward the investor selects (for more information, please review "Rewards and Bonus Shares" below). The minimum investment is $100.

The minimum amount Legion M needs to raise in order to close this round is $10,000. If we are unable to raise at least $10,000, all investments held in escrow will be returned to investors.

Wefunder has agreed to host this offering of our Class A Common Stock on its online platform. Prospective investors may subscribe for our shares in this offering only through the Wefunder website.

In oversubscriptions, we will prioritize investments by individuals who may not be able to invest in future offerings.

If the company raises more than the maximum offering amount in this offering, it may conduct an offering for Class A Common Stock under Regulation D for subscribers who are accredited investors. The cash price per share in that offering will be the same as this offering.

More information about the investment process can be found in the "Wefunder Process" attached hereto as Exhibit A.

**Rewards and Bonus Shares**

Legion M plans to offer shares of Class A Common Stock to investors under this offering pursuant to Regulation A at a price of $14.28 per share. Shares sold in the current offering include rewards that will be available for all investors ("Rewards"), including the grant of additional shares ("Bonus Shares"), exclusive merch, gift cards, and experiences. Investors select which reward they want based on the amount of money they invest, as shown in the table below:

| | | |
|---|---|---|
| **Tier 1** | Invest $100 - $199 and receive: | • Legion M "Investor Access" perks and benefits, including drawings for set visits and premier tickets, priority access to Legion M events and exclusives, discounts, shareholder portal, and much, much more!<br>• PLUS CHOOSE ONE of the following:<br>  • Exclusive Round 7 Investor T-shirt<br>  • $20 shopping spree in the Legion M store<br>  • $20 gift card for Alamo Drafthouse<br>  • $20 in merch credit from Entertainment Earth (2)<br>  • 20% in Bonus Shares of Legion M stock (1) (1 Bonus Share for every 5 shares purchased) |

| | | |
|---|---|---|
| **Tier 2** | Invest $200 - $499 and receive: | • Legion M “Investor Access” (see details in Tier 1)<br>• Exclusive Round 7 Investor T-shirt<br>• PLUS CHOOSE ONE of the following:<br>    • 6 month ISAConnect membership from International Screenwriters' Association (3)<br>    • $40 gift card for the Legion M store<br>    • $40 gift card for Alamo Drafthouse<br>    • $40 in merch credit from Entertainment Earth (2)<br>    • 21% in Bonus Shares of Legion M stock (1) (1 Bonus Share for every 4.76 shares purchased) |
| **Tier 3** | Invest $500 - $999 and receive: | • Legion M “Investor Access” (see details in Tier 1)<br>• Exclusive Round 7 Investor T-shirt<br>• PLUS CHOOSE ONE of the following:<br>    • 12 month ISAConnect membership from International Screenwriters' Association (3)<br>    • $100 shopping spree in the Legion M store<br>    • $100 gift card for Alamo Drafthouse<br>    • $100 in merch credit from Entertainment Earth (2)<br>    • 22% in Bonus Shares of Legion M stock (1) (1 Bonus Share for every 4.55 shares purchased) |
| **Tier 4** | Invest $1,000 - $5,000 and receive: | • Legion M “Investor Access” (see details in Tier 1)<br>• Exclusive Round 7 Investor T-shirt<br>• PLUS CHOOSE ONE of the following:<br>    • $200 shopping spree in the Legion M store<br>    • $200 gift card for Alamo Drafthouse<br>    • $200 in merch credit from Entertainment Earth (2)<br>    • 23% in Bonus Shares of Legion M stock (1) (1 Bonus Share for every 4.35 shares purchased) |
| **Tier 5** | Invest $5,000 or more and receive: | • Legion M “Investor Access” (see details in Tier 1)<br>• Exclusive Round 7 Investor T-shirt<br>• $200 shopping spree spread across Legion M store, Alamo Drafthouse and Entertainment Earth<br>• PLUS CHOOSE ONE of the following:<br>    • 2 Tickets to a Legion M red carpet Hollywood premier (4)<br>    • 60 minute Zoom call with Legion M executive team (4)<br>    • 25% in Bonus Shares of Legion M stock (1) (1 Bonus Share for every 4 shares purchased) |

(1) Bonus shares are calculated by multiplying the bonus percentage by the number of shares bought, and rounding down to the nearest whole share.
(2) Entertainment Earth merch credit can be used for in-stock merchandise only
(3) Valid for new memberships only
(4) If an event is cancelled or perk otherwise becomes unavailable, investor will have the option to select another Reward (other than Bonus Shares). Premier tickets do not include travel, accommodations, etc.

Since Rewards have different values based on the amount invested and the specific Reward selected by the investor (e.g. a gift card vs. Bonus Shares), the effective price paid per share (“Effective Share Price”) by the investor can vary. Consider the following two examples:

**Example 1.** An investor makes an investment of $114.24 to purchase 8 shares at the $14.28 share price, and chooses Bonus Shares as their reward, which yields them 1 additional share. In this case, they actually received 9 shares for $114.24, making their Effective Share Price $12.70.

**Example 2.** An investor makes an investment of $114.24 to purchase 8 shares at the $14.28 share price, and chooses a $20 gift card. Their effective share price is reduced because they have received a gift card in addition to their shares.

TAX CONSEQUENCES FOR RECIPIENT (INCLUDING FEDERAL, STATE, LOCAL AND FOREIGN INCOME TAX CONSEQUENCES) WITH RESPECT TO REWARDS AND BONUS ARE THE SOLE RESPONSIBILITY OF THE INVESTOR. INVESTORS MUST CONSULT WITH THEIR OWN PERSONAL ACCOUNTANT(S) AND/OR TAX ADVISOR(S) REGARDING THESE MATTERS.

Investors will be responsible for any shipping and sales tax related to a Reward.

From time to time, Legion M may amend the Reward options at which point Legion will file a supplement to the Offering Memorandum.

Rewards will be distributed to investors by Legion M after their investment closes. If an Investor does not choose a specific award, such an investor will be issued Bonus Shares when their investment closes.

**How We Determined the Offering Price in this Offering**

We set our share price based on internal analyses including the performance and price of previous rounds (i.e. the fact that many of our previous rounds have sold out), growth and development of the company/community, and discussions with third parties such as lawyers, advisors, seed investors, and venture capitalists. We also consider our long-term fundraising goal (uniting 1 million fans as shareholders of Legion M) and models we believe give us the best chance of achieving it.

We also factor in the value of Rewards (Bonus Shares, gift cards, merch, and experiences) we're offering to investors, and the impact these have on the Effective Share Price paid by the investor. E.g. Investors who select Bonus Shares are receiving additional shares at no cost and investors who select gift cards or experiences are receiving something of additional value in addition to their shares. In both cases, the Effective Share Price paid by investors is lower than the actual share price. For more a more detailed explanation, please see "Rewards and Bonus Shares" section above.

For this offering, $14.28 is the price that will paid by investors for shares of Class A Common Stock. When factoring in Bonus Shares, the Effective Share Price paid by each investor will range between $11.42 to $12.85 (depending on the amount invested). Investors who choose Rewards other than Bonus Shares can determine their effective share price by factoring in the value they attribute to each reward.

Our goal is to establish a share price and Rewards program that is fair to everyone involved (the company, our existing shareholders, and new potential shareholders), while making it as attractive as possible to new investors that will help fuel our next stage of growth. That's because the power of a Legion comes from its size. We believe that the more new investors we can attract, the stronger our competitive strengths will become, and the greater the potential ROI for our existing shareholders.

**Transfer Agent and Registrar**

KoreConX is the transfer agent and registrar for Legion M's common stock.

**Jury Trial Waiver**

The subscription agreement provides that subscribers waive the right to a jury trial of any claim they may have against us arising out of or relating to the subscription agreement, including any claim under federal securities laws. If we opposed a jury trial demand based on the waiver, a court would determine whether the waiver was enforceable given the facts and circumstances of that case in accordance with applicable case law.

# REGULATORY INFORMATION

**Disqualification and Compliance Failure**

Neither the company nor any of our officers or managing members is disqualified from relying on Regulation Crowdfunding. The company has not previously failed to comply with the requirements of Regulation Crowdfunding.

**Annual Reports**

Our annual reports are posted on our website at https://legionm.com/investorrelations within 120 days after the end of each fiscal year.

**Updates**

Updates on the status of this offering may be found at: https://wefunder.com/legionm.

FINANCIAL STATEMENTS

# Legion M Entertainment, Inc.

**A Delaware Corporation**

Financial Statements and Independent Auditor's Report

December 31, 2019 and 2018

# Legion M Entertainment, Inc.

**TABLE OF CONTENTS**


| | Page |
|---|---|
| INDEPENDENT AUDITOR'S REPORT | F-1 - F-2 |
| FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018 AND FOR THE YEARS THEN ENDED: | |
| Balance Sheets | F-3 |
| Statements of Operations | F-4 |
| Statements of Changes in Stockholders' Equity | F-5 |
| Statements of Cash Flows | F-6 |
| Notes to Financial Statements | F-7 - F-16 |

To the Board of Directors of
Legion M Entertainment, Inc.
Emeryville, California

## INDEPENDENT AUDITOR'S REPORT

**Report on the Financial Statements**

We have audited the accompanying financial statements of Legion M Entertainment, Inc., which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the 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 fraud or error.

**Auditor's Responsibility**

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legion M Entertainment, Inc. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matters**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 2 to the financial statements, the Company has not generated profits since inception, has negative cash flows from operations, has sustained a net losses of $3,645,356 and $2,411,065 in the years ended December 31, 2019 and 2018, respectively, and does not have liquid assets to satisfy its expected obligations for the next year with working capital of $683,800 as of December 31, 2019. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern without raising additional capital from investors. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

**/s/ Artesian CPA, LLC**

Denver, Colorado
June 12, 2020

**Legion M Entertainment, Inc.**
**Balance Sheets**
**As of December 31, 2019 and 2018**

| | As of December 31, 2019 | As of December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash | $ 735,562 | $ 45,751 |
| Subscriptions receivable in escrow | 170,351 | 563,332 |
| Other receivable | 11,207 | 1,569 |
| Inventory | 61,136 | 22,775 |
| Accounts receivable | 21,583 | 19,000 |
| Prepaid expenses | 12,356 | 49,330 |
| Total current assets | 1,012,195 | 701,757 |
| | | |
| Non-current assets: | | |
| Property and equipment, net | 11,059 | 20,790 |
| Loan receivable | 100,000 | - |
| Investments in productions | 1,055,613 | 467,867 |
| Total non-current assets | 1,166,672 | 488,657 |
| TOTAL ASSETS | $ 2,178,867 | $ 1,190,414 |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 148,729 | $ 189,053 |
| Deferred revenue | 148,390 | 65 |
| Accrued expenses | 31,276 | 26,480 |
| Pending investment | - | 100,000 |
| Total current liabilities | 328,395 | 315,598 |
| Total liabilities | 328,395 | 315,598 |
| | | |
| Stockholders' equity: | | |
| Class A common stock, $0.0001 par, 17,000,000 authorized, 1,140,127 and 676,716 issued and outstanding at December 31, 2019 and 2018, respectively | 114 | 67 |
| Class B common stock, $0.0001 par, 3,000,000 authorized, 1,637,243 issued and outstanding, 1,633,054 vested at December 31, 2019 and 1,637,243 issued and outstanding, 1,338,278 vested at December 31, 2018 | 165 | 165 |
| Additional paid-in capital | 11,101,935 | 6,480,970 |
| Accumulated deficit | (9,251,742) | (5,606,386) |
| Total stockholders' equity | 1,850,472 | 874,816 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 2,178,867 | $ 1,190,414 |

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

**Legion M Entertainment, Inc.**
**Statements of Operations**
**For the years ended December 31, 2019 and 2018**

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|---|---|---|
| Revenue | $ 645,565 | $ 179,589 |
| Costs of net revenues | 529,153 | 130,131 |
| Gross profit | 116,412 | 49,458 |
| | | |
| Operating expenses: | | |
| Compensation and benefits | 1,124,214 | 1,151,820 |
| Sales and marketing | 1,989,641 | 817,995 |
| Independent contractors | 77,925 | 81,230 |
| Professional fees | 116,233 | 122,085 |
| Travel expenses | 162,781 | 118,399 |
| General and administrative | 158,531 | 74,871 |
| Depreciation | 9,732 | 9,798 |
| Asset impairment | 122,711 | 84,325 |
| Total operating expenses | 3,761,768 | 2,460,523 |
| Loss from operations | (3,645,356) | (2,411,065) |
| Net loss | $ (3,645,356) | $ (2,411,065) |
| | | |
| Weighted average common shares: | | |
| Basic and Diluted | 2,569,648 | 2,154,989 |
| | | |
| Earnings per share: | | |
| Basic and Diluted | $ (1.42) | $ (1.12) |

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

**Legion M Entertainment, Inc.**
**Statements of Changes in Stockholders' Equity**
**For the years ended December 31, 2019 and 2018**

| | Class A Common Stock | | Class B Common Stock | | | | |
|---|---|---|---|---|---|---|---|
| | Number of Shares | Amount | Number of Shares | Amount | Additional Paid-in-Capital | Accumulated Deficit | Total Stockholders' Equity |
| Balance at December 31, 2017 | 447,818 | $ 44 | 1,639,243 | $ 165 | $ 4,269,949 | $ (3,195,321) | $ 1,074,837 |
| Common stock issuances: | | | | | | | |
| Class A ($0.0001 par, $7.47 issue) | 661 | - | - | - | 4,938 | - | 4,938 |
| Class A ($0.0001 par, $8.32 issue) | 161,197 | 16 | - | - | 1,341,143 | - | 1,341,159 |
| Class A ($0.0001 par, $8.88 issue) | 65,040 | 7 | - | - | 577,548 | - | 577,555 |
| Conversion of Class B to Class A | 2,000 | - | (2,000) | - | - | - | - |
| Stock based compensation | - | - | - | - | 357,467 | - | 357,467 |
| Fair value of warrants | - | - | - | - | 31,460 | - | 31,460 |
| Offering costs | - | - | - | - | (101,535) | - | (101,535) |
| Net loss | - | - | - | - | - | (2,411,065) | (2,411,065) |
| Balance at December 31, 2018 | 676,716 | $ 67 | 1,637,243 | $ 165 | $ 6,480,970 | $ (5,606,386) | $ 874,816 |
| Common stock issuances: | | | | | | | |
| Class A ($0.0001 par, $8.32 issue) | 35,489 | 4 | - | - | 295,264 | - | 295,268 |
| Class A ($0.0001 par, $8.88 issue) | 176,047 | 18 | - | - | 1,563,279 | - | 1,563,297 |
| Class A ($0.0001 par, $10.00 issue) | 237,834 | 24 | - | - | 2,378,316 | - | 2,378,340 |
| Class A ($0.0001 par, $10.65 issue) | 14,041 | 1 | - | - | 149,536 | - | 149,537 |
| Stock based compensation | - | - | - | - | 288,908 | - | 288,908 |
| Offering costs | - | - | - | - | (54,338) | - | (54,338) |
| Net loss | - | - | - | - | - | (3,645,356) | (3,645,356) |
| Balance at December 31, 2019 | 1,140,127 | $ 114 | 1,637,243 | $ 165 | $ 11,101,935 | $ (9,251,742) | $ 1,850,472 |

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

**Legion M Entertainment, Inc.**
**Statements of Cash Flows**
**For the years ended December 31, 2019 and 2018**

| | For the year ended December 31, 2019 | For the year ended December 31, 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net loss | $ (3,645,356) | $ (2,411,065) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Asset Impairment | 122,711 | 84,325 |
| Depreciation | 9,732 | 9,798 |
| Stock based compensation | 288,908 | 357,467 |
| Fair value of warrants issued for marketing services | - | 31,460 |
| Changes in operating assets and liabilities: | | |
| (Increase)/decrease in other receivables | (9,638) | 56,562 |
| (Increase)/decrease in inventory | (38,361) | (11,304) |
| (Increase)/decrease in accounts receivable | (2,583) | (19,000) |
| (Increase)/decrease in prepaid expenses | 36,974 | 16,646 |
| Increase/(decrease) in accounts payable | (40,324) | 130,130 |
| Increase/(decrease) in deferred revenue | 148,325 | (10,278) |
| Increase/(decrease) in accrued expenses | 4,796 | 16,349 |
| Net cash used in operating activities | (3,124,816) | (1,748,910) |
| | | |
| **Cash flows from investing activities** | | |
| Purchase of property and equipment | - | (2,169) |
| Loan receivable | (100,000) | - |
| Investments in productions | (710,457) | (248,401) |
| Net cash used in investing activities | (810,457) | (250,570) |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of Class A common stock | 4,679,422 | 1,435,011 |
| Pending investment | - | 100,000 |
| Offering costs | (54,338) | (101,535) |
| Net cash provided by financing activities | 4,625,084 | 1,433,476 |
| | | |
| Net change in cash | 689,811 | (566,004) |
| | | |
| Cash at beginning of period | 45,751 | 611,755 |
| Cash at end of period | $ 735,562 | $ 45,751 |
| | | |
| **Supplemental disclosure of cash flow information** | | |
| Cash paid for interest | $ - | $ - |
| Cash paid for income taxes | $ - | $ - |

See Independent Auditor’s Report and accompanying notes, which are an integral part of these financial statements.

## NOTE 1: NATURE OF OPERATIONS

Legion M Entertainment, Inc. (the "Company"), is a corporation organized March 4, 2016 under the laws of Delaware. The Company was formed as a fan-owned entertainment company. The Company is working with Hollywood creators, producers, and distributors to develop and monetize content together with the fans. The Company's mission is to empower creators to push the boundaries and empower fans to be a part of the content they love. The Company is developing, investing in, producing, distributing and marketing a slate of projects in the entertainment space, including, but not limited to, feature films, TV series, virtual reality projects, comic books, games, and web series.

Revenue totaled $645,565 and $179,589 for the years ended December 31, 2019 and 2018, respectively. The Company's activities since inception have consisted of formation activities, R&D, raising capital, business development, developing and investing in the initial slate of projects, establishing and growing the Legion M community and culture, building infrastructure to support the community, marketing for principal operations and establishing Legion M as a credible player in the industry. The Company remains dependent upon additional capital resources and is subject to significant risks and uncertainties; including failing to secure additional funding.

## NOTE 2: GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company is a business that is in early growth phase and therefore has just started generating revenues from principal operations. Consistent with this early phase, the Company has no profit since inception, incurred negative operating cash flows, and has sustained net losses of $3,645,356 and $2,411,065 for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019, the Company has current assets that exceed current liabilities by $683,800 which it expects to fund at least six more months of operations. The Company expects near-term revenue from various projects and investment proceeds. However, the Company's ability to continue as a going concern for the next twelve months is dependent upon its plan to raise more capital from investors. No assurance can be given that the Company will be successful in these efforts. These factors, among others, raise substantial doubt about the ability of the Company to continue as a going concern for a reasonable period of time without raising additional funding. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

## NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (GAAP).

The Company adopted the calendar year as its basis of reporting.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Cash Equivalents

For the purpose of the statement of cash flows, cash equivalents include time deposits, certificate of deposits, and all highly liquid debt instruments with original maturities of three months or less. As of December 31, 2019 the cash balance exceeded the FDIC insured limits by $485,562.

Receivable and Allowance for Doubtful Accounts

Accounts receivable are carried at their estimated collectible amounts. Accounts receivable are periodically evaluated for collectability based on past credit history with clients and other factors. Provisions for losses on accounts receivable are determined on the basis of loss experience, known and inherent risk in the account balance and current economic conditions. As of December 31, 2019 and 2018, no associated allowances for doubtful accounts were established.

Other Receivables

Other receivables are primarily due from payment processors and gateways (e.g. Paypal, Stripe, Wefunder).

Inventory

Inventories are comprised of merchandise (t-shirts, lapel pins, hats, etc.) that are used for marketing and/or for sale in the Legion M store (https://shop.legionm.com). Inventories are stated at the lower of cost or market value. Cost is determined using the average costing method. Inventory balances As of December 31, 2019 and 2018 were $61,136 and $22,775, respectively. The Company periodically reviews inventory quantities and values and adjusts for obsolete or impaired inventory based primarily on management's estimated forecast of product demand.

Production Investments

The Company has cost investments in productions. The fair value of these investments is dependent on the performance of the investee productions as well as volatility inherent in the external markets for these investments. In assessing the potential impairment of these investments, we consider these factors as well as the forecasted financial performance of the investees and market values, where available. If these forecasts are not met or market values indicate an other-than-temporary decline in value, impairment charges may be required.

Filmed Entertainment and Production Costs

In accordance with ASC 926, "Entertainment—Films" ("ASC 926"), Filmed Entertainment costs include capitalized production costs, development costs, overhead and capitalized interest costs, net of any amounts received from outside investors. These costs, as well as participations, are recognized as operating expenses for each individual production based on the ratio that the current period's gross revenues for such production bear to management's estimate of its total remaining ultimate gross revenues. Marketing, distribution and general and administrative costs are expensed as incurred. The Company has set a minimum threshold of $10,000 before capitalizing the costs. Management bases its estimates of ultimate revenue for each production on a variety of factors, including: historical performance of similar productions, market research and the existence of future firm commitments. Management regularly reviews, and revises when necessary, its total revenue estimates on a title-by-title basis, which may result in a change in the rate of amortization and/or a write-down of the asset to fair value amount. Costs for productions not produced are written-off at the time the decision is made not to develop the story or after three years.

Production costs are stated at the lower of unamortized cost or estimated fair value on a production basis. Revenue forecasts for productions are continually reviewed by management and revised when warranted by changing conditions. Results of operations in future years are dependent upon the amortization of production costs and may be significantly affected by periodic adjustments in amortization rates. As a result, the Company's financial results fluctuate from period to period.

If estimates of ultimate revenues change with respect to a production, causing reductions in fair values, we may be required to write down all or a portion of the related unamortized costs of the production to its estimated fair value. No assurance can be given that unfavorable changes to revenue and cost estimates will not occur, which may result in significant write-downs affecting our results of operations and financial condition.

Consistent with this guidance, at the end of 2019, the Company reduced the expectations on certain projects. As a result, the fair value of the investments has been reduced and $122,711 was recorded as an impairment loss during the year ended December 31, 2019. The fair value of the investments was reduced and $84,325 was recorded as an impairment loss during the year ended December 31, 2018.

See Independent Auditor's Report

Property and Equipment

The Company has a policy to capitalize expenditures with useful lives in excess of one year and costs exceeding $1,000. Property and equipment is stated at cost. The cost of additions and substantial improvements to property and equipment is capitalized. The cost of maintenance and repairs of property and equipment is charged to operating expenses. Property and equipment is depreciated using straight-line methods over their estimated economic lives, ranging from three to five years. Property and equipment is reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No assets were impaired as of December 31, 2019 and 2018. Property and equipment additions totaled $0 and $2,169 for the years ended December 31, 2019 and 2018, respectively. Depreciation expense totaled $9,732 and $9,798 for the years ended December 31, 2019 and 2018, respectively.

| | As of December 31, 2019 | As of December 31, 2018 |
|---|---|---|
| Original Cost | $ 45,935 | $ 45,935 |
| Accumulated Depreciation | (34,876) | (25,145) |
| Book Value | $ 11,059 | $ 20,790 |

Loan Receivable

During 2019, the Company made various loans to a production in which the Company is an equity investor. The loans were used to cover working capital requirements. These loans were each repaid in fewer than three weeks. As of December 31, 2019, there was an outstanding loan receivable balance of $100,000. This loan balance was repaid to the Company on January 2, 2020. These loans did not earn any interest and no interest income was recorded.

Fair Value of Financial Instruments

The Company discloses fair value information about financial instruments based upon certain market assumptions and pertinent information available to management. Financial Accounting Standards Board ("FASB") guidance specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active).

Level 3 - Unobservable inputs for the asset or liability. Financial instruments are considered Level 3 when their fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable.

The carrying amounts reported in the balance sheets approximate fair value.

See Independent Auditor's Report

Concentrations of Credit Risks

The Company's financial instruments that are exposed to concentrations of credit risk consist of its cash. The Company will place its cash and cash equivalents with financial institutions of high credit worthiness. The Company's management plans to assess the financial strength and credit worthiness of any parties to which it extends funds, and as such, it believes that any associated credit risk exposures are limited.

Revenue Recognition

ASC Topic 606, "Revenue from Contracts with Customers" establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers.

Revenues are recognized when control of the promised goods or services are transferred to a customer, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. The Company applies the following five steps in order to determine the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements: 1) identify the contract with a 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 as the performance obligation is satisfied.

Revenue totaled $645,565 and $179,589 for the years ended December 31, 2019 and 2018, respectively. While revenue for the year ended December 31, 2019 included revenue from Legion M projects (including merchandise sales and licensing related to those projects), ticket-sales and sponsorships related to Legion M events, and sales of Legion M branded merchandise, revenue for the year ended December 31, 2018 was primarily merchandise sales related to Legion M projects and Legion M branded merchandise. Revenue attributable to investments in productions will be recognized over multiple months or years.

Stock-Based Compensation

The Company measures employee stock-based awards at grant-date fair value and recognizes employee and consultant compensation expense on a straight-line basis over the vesting period of the award. Determining the appropriate fair value of stock-based awards requires the input of subjective assumptions, including the fair value of the Company's common stock, and for stock options, the expected life of the option, and expected stock price volatility. The Company used the Black-Scholes option pricing model to value its stock option awards and warrants. The assumptions used in calculating the fair value of stock-based awards represent management's best estimates and involve inherent uncertainties and the application of management's judgment. As a result, if factors change and management uses different assumptions, stock-based compensation expense could be materially different for future awards.

The expected life of stock options was estimated using the "simplified method," which is the midpoint between the vesting start date and the end of the contractual term, as the Company has limited historical information to develop reasonable expectations about future exercise patterns and employment duration for its stock options grants. The simplified method is based on the average of the vesting tranches and the contractual life of each grant. For stock price volatility, the Company uses comparable public companies as a basis for its expected volatility to calculate the fair value of options grants. The risk-free interest rate is based on U.S. Treasury notes with a term approximating the expected life of the option. The estimation of the number of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from the Company's current estimates, such amounts are recognized as an adjustment in the period in which estimates are revised.

Offering Costs

The Company complies with the requirements of FASB ASC 340-10-S99-1 with regards to offering costs. Prior to the completion of an offering, offering costs are capitalized as deferred offering costs on the balance sheet. The deferred offering costs are charged to stockholders' equity upon the completion of an offering or to expense if the offering is not completed.

Income Taxes

The Company uses the liability method of accounting for income taxes as set forth in ASC 740, *Income Taxes*. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is unlikely that the deferred tax assets will be realized. The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon its evaluation of the facts, circumstances and information available at the reporting date. In accordance with ASC 740-10, for those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, our policy is to record the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit will be recognized in the financial statements. The Company has determined that there are no material uncertain tax positions.

The Company files income tax returns in the United States and is subject to income tax examinations for its U.S. federal income taxes for the preceding three years and, in general, is subject to state and local income tax examinations for the preceding three years. Tax returns through 2018 have been filed. The Company is not presently subject to any income tax audit in any taxing jurisdiction.

The Company accounts for income taxes with the recognition of estimated income taxes payable or refundable on income tax returns for the current period and for the estimated future tax effect attributable to temporary differences and carryforwards. Measurement of deferred income items is based on enacted tax laws including tax rates, with the measurement of deferred income tax assets being reduced by available tax benefits not expected to be realized in the immediate future. As of December 31, 2019 and 2018, the Company had total taxable net operating loss carryforwards of approximately $8,216,976 and $4,828,276, respectively. The Company pays Federal and California income taxes at rates of approximately 21.0% and 8.8%, respectively, and has used an effective blended rate of 28.0% to derive a net deferred tax assets of approximately $2,630,594 and $1,599,699 as of December 31, 2019 and 2018, respectively. The Company cannot presently anticipate the realization of a tax benefit on its net operating loss carryforward. Accordingly, the Company recorded a full valuation allowance against its deferred tax assets As of December 31, 2019 and 2018. Deferred tax assets and liabilities resulted from net operating losses, depreciation/amortization, organizational costs, deferred revenue and stock-based compensation.

The following table reconciles the statutory income tax rates to actual rates based on income or loss before income taxes as of December 31, 2019 and 2018.

| | As of December 31, 2019 | As of December 31, 2018 |
|---|---|---|
| Federal income tax rate | 21.0% | 21.0% |
| State income tax rate, net of federal benefit | 7.0% | 7.0% |
| Valuation allowance | -28.0% | -28.0% |
| Effective tax rate | 0% | 0% |

| | As of December 31, 2019 | As of December 31, 2018 |
|---|---|---|
| Deferred tax assets: | | |
| Stock based compensation | $ 309,437 | $ 228,590 |
| Organizational costs | - | 19,965 |
| Deferred revenue | - | 18 |
| Net operating loss carryforward | 2,299,406 | 1,351,125 |
| Net deferred tax assets | 2,608,843 | 1,599,699 |
| Less: Valuation allowance | (2,608,843) | (1,599,699) |
| Net deferred tax asset | $ - | $ - |

See Independent Auditor's Report

The Company reviews tax positions taken to determine if it is more likely than not that the position would be sustained upon examination resulting in an uncertain tax position. The Company recognizes interest accrued and penalties related to unrecognized tax benefits in tax expense. During the years ended December 31, 2019 and 2018, the Company recognized no interest or penalties.

Net Earnings or Loss per Share

Net earnings or loss per share is computed by dividing net income or loss by the weighted-average number of common shares outstanding during the period, excluding shares subject to redemption or forfeiture. The Company presents basic and diluted net earnings or loss per share. Diluted net earnings or loss per share reflect the actual weighted average of common shares issued and outstanding during the period, adjusted for potentially dilutive securities outstanding. Potentially dilutive securities are excluded from the computation of the diluted net earnings or loss per share if their inclusion would be anti-dilutive.

| | As of December 31, 2019 | As of December 31, 2018 |
|---|---|---|
| Warrants | 32,000 | 32,000 |
| Options | 355,742 | 331,742 |
| Total dilutive securities | 387,742 | 363,742 |

As all potentially dilutive securities are anti-dilutive as of December 31, 2019 and 2018, diluted net loss per share is the same as basic net loss per share for each year.

Reclassifications of Prior Year Balances

Certain balances from the December 31, 2018 statement of cash flows were reclassified to conform to current year presentation. There was no change in the Company's net cash flows from these reclassifications

**NOTE 4: STOCKHOLDERS' EQUITY**

On April 12, 2016, the Company's Board of Directors approved amended and restated articles of incorporation. The amended and restated articles of incorporation increased the authorized stock from 10,000,000 shares of common stock with a par value of $0.0001 to 20,000,000 shares of common stock with a par value of $0.0001, and authorized the creation of two classes of common stock, "Class A Common Stock" and "Class B Common Stock," with 17,000,000 shares of the authorized common stock designated as Class A Common Stock and 3,000,000 shares of the common stock designated as Class B Common Stock. The amended and restated articles of incorporation reclassify each outstanding share of common stock as of the effective date to one share of Class B Common Stock. The Class B Common Stock contains a voting rights preference of 10 votes per share and is convertible into Class A Common Stock at the option of the holder.

During the period from March 4, 2016 (inception) to December 31, 2016, 1,546,040 shares of Class B Common Stock were issued at prices ranging from $0.0001 to $0.001 per share, yielding proceeds of $1,501. This amount was recorded as an expense for services rendered by the stockholders.

These shares of Class B Common Stock are subject to vesting over periods from immediate to 48 months with vesting contingent upon continued service with the Company. The Company considered its negative book value and limited operating activity as of these share issuances and determined the issuance prices approximated the fair value of the shares issued. As of December 31, 2019 and 2018, 1,633,054 and 1,338,278 of these outstanding Class B Common Stock have vested, respectively. As of December 31, 2019 and 2018, the unvested shares vest over a weighted average period of 0.2 years and 0.8 years, respectively.

In 2016, the Company converted $501,281 of convertible notes and related interest outstanding to 97,648 shares of Class B Common Stock. All of the shares vested immediately upon conversion.

See Independent Auditor's Report

In September 2016, the Company completed an equity offering through Regulation Crowdfunding and raised gross proceeds of $999,999 for the issuance of 142,857 shares of Class A Common Stock. The offering price for this offering was $7.00 per share.

During the period from March 4, 2016 (inception) to December 31, 2016, The Company completed equity investments outside of the crowdfunding campaign providing proceeds of $193,522 for the issuance of 27,646 shares of Class A Common Stock. The offering price for this offering was $7.00 per share.

The Company had a Regulation Crowdfunding and a Regulation A Funding round open during the year ended December 31, 2017 and during that period investors were able to purchase shares of Class A Common Stock. The share price for these offerings were $7.47 per share. During the year ended December 31, 2017, 272,870 shares were sold generating $2,038,339.

The Company had a Regulation Crowdfunding and Regulation A Funding rounds open during the year ended December 31, 2018 and during that period investors were able to purchase shares of Class A Common Stock. The share prices for these offerings was $7.47 per share through May 14, 2018, $8.32 per share through October 3, 2018 and $8.88 per share for the remainder of the year. During the year ended December 31, 2018, 226,898 shares were sold generating $1,923,652.

The Company had Regulation Crowdfunding and Regulation A Funding rounds open during the year ended December 31, 2019 and during that period investors were able to purchase shares of Class A Common Stock. The share prices for these offerings was $8.88 per share through July 15, 2019, $10.00 per share through November 6, 2019 and $10.65 per share for the remainder of the year. During the year ended December 31, 2019, 463,411 shares were sold generating $4,386,442.

The Company received partial proceeds disbursement of funds committed from these equity offerings during the years ended December 31, 2019 and 2018 of $4,679,422 and $1,435,011, respectively. As part of the normal process of investors purchasing stock, those purchases are held in escrow by Wefunder, the Company's funding portal. At the end of each month, there is a balance of funds held by Wefunder for future distribution to the Company. The escrow balance as of December 31, 2019 and 2018 was $170,351 and $563,332, respectively.

In October 2018, the Company received a prepayment totaling $100,000 for a future investment in the Company from one of the Company's largest investors. As the funds had been received but the investment contracts not finalized, the $100,000 prepayment was included on the balance sheet as a "Pending investment" liability as of December 31, 2018. That investment was finalized in 2019 and the Company issued shares to this investor at $8.32 per share, consistent with other investors at that time and included in the 2019 issuances discussed above.

As of December 31, 2019 and 2018, the Company had 1,140,127 and 676,716 shares of Class A Common Stock and 1,637,243 and 1,637,243 shares of Class B Common Stock issued and outstanding, all respectively.

## NOTE 5: SHARE-BASED PAYMENTS

<u>Stock Plan</u>

On April 12, 2016, the Company adopted its 2016 Equity Incentive Plan (the "Plan"). The Plan authorizes options to purchase up to 253,960 shares of Class B Common Stock. On November 3, 2016, the Company amended its 2016 Equity Incentive Plan to authorize an additional 500,000 options to purchase Class B Common Stock. As of December 31, 2019 and 2018, there were 398,218 and 422,218 options available for issuance, respectively.

As of December 31, 2019 and 2018, the Company had issued and outstanding 355,742 and 331,742 options to purchase Class B Common Stock under the Plan, respectively.

See Independent Auditor's Report

| | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Options | Weighted Average Exercise Price | Options | Weighted Average Exercise Price |
| Outstanding - beginning of year | 331,742 | $ 5.98 | 279,242 | $ 5.62 |
| Granted | 24,000 | $ 9.11 | 52,500 | $ 7.88 |
| Exercised | - | | - | |
| Forfeited | - | | - | |
| Outstanding - end of year | 355,742 | $ 6.19 | 331,742 | $ 5.98 |
| Exercisable at end of year | 264,708 | $ 6.39 | 192,527 | $ 5.99 |
| Weighted average grant date fair value of options granted during year | $ 4.79 | | $ 4.12 | |
| Weighted average duration (years) to expiration of outstanding options at year-end | 7.4 | | 8.2 | |

These options vest over different schedules with some vesting immediately and others vesting over periods from 1 to 10 years. The maximum term for stock options granted under the Plan may not exceed ten years from the date of grant. The options expire 10 years after the date of grant. The remaining outstanding options will vest over a weighted average period of 36 months.

The assumptions utilized for valuing stock-based grants for compensation and marketing expense during the years ended December 31, 2019 and 2018 are as follows:

| | 2019 | 2018 |
|---|---|---|
| Risk Free Interest Rate | 1.66%-2.49% | 2.45%-3.05% |
| Expected Dividend Yield | 0.00% | 0.00% |
| Expected Volatility | 60.00% | 60.00% |
| Expected Life (years) | 5.0 | 5.0 |
| Fair Value per Stock Option | $4.66-$5.18 | $3.95-$4.43 |

The Company recognizes stock-based compensation on a straight-line basis over the options' vesting periods. Based on the issue dates, the per share value and the vesting period, the Company determined total stock-based compensation and additional paid-in capital to be $288,908 and $357,467 for the years ended December 31, 2019 and 2018, respectively. Unrecognized share-based compensation expense was $449,527 and $623,474 as of December 31, 2019 and 2018, respectively. This unrecognized compensation expense expected to be recognized over a weighted-average period of approximately 36 months as of both December 31, 2019 and 2018, respectively.

Warrants

In April 2016, the Company issued 27,000 warrants to purchase Class B shares of common stock. The shares available under this warrant vest pro-rata over two years on a monthly basis (1/24 vest per month). The stock purchase warrants expire at the earliest of: ten years after their date of issuance (2026), any change in control, or an initial public offering. The exercise price for the common stock warrants is $0.01 per share. The number of shares or exercise price will be adjusted in the event of any stock dividend, stock splits or recapitalization of the Company. As of December 31, 2019 and 2018, 27,000 and 27,000 of these warrants had vested, respectively. The Company determined the grant date fair value of these warrants under a Black-Scholes calculation to be $188,759, and recognized $0 and $31,460 of such to additional paid-in capital and as marketing expense during the years ended December 31, 2019 and 2018, respectively, commensurate with the vesting of the warrants. The assumptions and inputs for the Black-Scholes calculation for the warrants are the same terms as used for valuing the options issued on April 12, 2016.

In June 2017, the Company issued 5,000 warrants to purchase Class B shares of common stock. The shares available under this warrant vested immediately on issuance. The stock purchase warrants expire at the earliest of: ten years after their date of issuance (2027), any change in control, or an initial public offering. The exercise price for the common stock warrants is $7.47 per share. The number of shares or exercise price will be adjusted in the event of any stock dividend, stock splits or recapitalization of the Company. The Company determined the fair value of these warrants under a Black-Scholes calculation to be $19,400 and recorded that value as an adjustment to additional paid-in capital and as an investment in a project in 2017. The assumptions and inputs for the Black-Scholes calculation for the warrants are the same terms as used for valuing the options issued on June 9, 2017.

The Company expensed $0 and $31,460 related to the vesting of these warrants during the years ended December 31, 2019 and 2018, respectively. As of both December 31, 2019 and 2018, there was $0 of unrecognized share-based compensation expense.

As of December 31, 2019 and 2018, there were 32,000 and 32,000 warrants outstanding with weighted average exercise price per share of $1.18 and $1.18, and 32,000 and 32,000 warrants vested with weighted average exercise price per share of $1.18 and $1.18, all respectively.

**NOTE 6: RECENT ACCOUNTING PRONOUNCEMENTS**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, "Revenue from Contracts with Customers" (Topic 606). This ASU supersedes the previous revenue recognition requirements in ASC Topic 605—Revenue Recognition and most industry-specific guidance throughout the ASC. The core principle within this ASU is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services.

In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers", which deferred the effective date for ASU 2014-09 by one year to fiscal years beginning after December 15, 2017, while providing the option to early adopt for fiscal years beginning after December 15, 2016. Transition methods under ASU 2014-09 must be through either (i) retrospective application to each prior reporting period presented, or (ii) retrospective application with a cumulative effect adjustment at the date of initial application. We adopted the new standard effective January 1, 2018.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. The ASU is effective for annual and interim periods beginning after December 15, 2020, including interim periods within those fiscal years. The adoption of ASU 2016-02 has had no material impact on our financial position, results of operations or cash flows.

Management does not believe that any other recently issued, but not yet effective, accounting standards could have a material effect on the accompanying financial statements. As new accounting pronouncements are issued, we will adopt those that are applicable under the circumstances.

**NOTE 7: SUBSEQUENT EVENTS**

COVID-19

The Company faces a great deal of uncertainty regarding potential impacts of the unprecedented societal and economic shifts precipitated by the COVID-19 pandemic. The entire entertainment industry is experiencing new challenges and opportunities while adapting to new changes to cultural norms. To date, the Company has not experienced a substantial impact to merchandising sales, although that could change. Further, it doesn't appear that any of the Company's existing projects have had substantial financial impacts, although that could change. At least one existing project expected to generate revenue in 2020 has had its release delayed. The impact on development and potential future projects remains to be seen. The biggest potential threat of COVID-19 is on the Company's ability to raise money, which is necessary to ensure ongoing operation. While this has always been the case for Legion M, the unprecedented circumstances caused by the Covid-19 crisis have increased the degree of risk and uncertainty.

To combat this, in March 2020 the Company developed a plan for adapting to potential disruptions caused by COVID-19. The Company has cut back wherever possible and eliminated or dramatically reduced non-essential contractors, furloughed workers, and cut spending on travel. The entire staff has taken a voluntary pay cut, including CEO Paul Scanlan taking a temporary 50% pay cut that was later reduced to 20% and directors Jeff Annison and Terri Lubaroff taking a 20% pay cut.

In May of 2020, the Company received a loan of $139,868 from the SBA made available under the Paycheck Protection Program implemented under the CARES Act. As of the issuance of these financial statements, the Company expects to meet conditions that will allow the entire loan to be forgiven.

Regulation A and Regulation CF Offerings

The Company's 6th round of equity crowdfunding (via Regulation A and Regulation CF) began on November 7, 2019 and ended on April 29, 2020. In 2020, the Company has received $170,351 in distributions from equity issuance activities in 2019. The Company has received $405,514 from the issuance of 38,523 shares in 2020 . Additionally, the Company has sold approximately 5,200 shares totaling approximately $55,000 that is still in escrow and will be distributed to the Company in 2020.

Next Step Financing Offering

Legion M is preparing for new a round of equity crowdfunding under the JOBS Act. We expect that many successive rounds of funding will be needed to achieve the Company's long-term goals.

Management's Evaluation

Management has evaluated subsequent events through April 29, 2020, the date the financial statements were available to be issued. Based on the evaluation, no additional material events were identified which require adjustment or disclosure.

See Independent Auditor's Report

**EXHIBIT A**

# WEFUNDER PROCESS

## DELIVERY & CANCELLATIONS

***How will the issuer complete the transaction and deliver securities to the investors?***

If we reach our target offering amount prior to the deadline, we may conduct an initial closing of the offering early if we provide notice about the new offering deadline at least five business days prior to the new offering deadline (absent a material change that would require an extension of the offering and reconfirmation of the investment commitment). Wefunder will notify investors if we conduct an initial closing. Thereafter, we may conduct additional closings from time to time at our and Wefunder's discretion until the deadline date.

The following describes the process to invest in the company, including how the company will complete an Investor's transaction and deliver securities to the investor.

1. Investor Commitment. The Investor will submit, through Wefunder Portal, a requested investment amount. When doing so, the Investor will also execute an investment contract with the company ("Investment Agreement"), using the Investor's electronic signature.
2. Acceptance of the Investment. If the Investor Agreement is complete, the Investor's commitment will typically be recorded within a few minutes. The commitment will also be available on the Investor's "My Investments" screen on the wefunder.com website. After the offering closes, the contract will be counter-signed by the company. The executed investment contract will then be sent to the investor via email, and is also available to download on the "My Investments" screen.
3. Investor Transfer of Funds. Upon receiving confirmation that an investment has been accepted, the Investor will be responsible for transferring funds from a source that is accepted by Wefunder Portal into an escrow account held with a third party bank on behalf of issuers offering securities through Wefunder Portal.
4. Progress of the Offering. The Investor will receive periodic email updates on the progress of the offering, including total amounts raised at any given time, and will be notified by email and through the "My Investments" screen when the target offering amount is met.
5. Closing: Original Deadline. Unless we meet the target offering amount early, Investor funds will be transferred from the escrow account to the company as soon as practicable after the deadline date identified in the Cover Page to this Form C and the company's Wefunder Portal Profile.
6. Early Closings. If the target offering amount is met prior to the original deadline date, we may close the offering earlier, but no less than 21 days after the date on which information about the company, including this Form C, is posted on our Wefunder Portal Profile. We will reschedule the offering deadline, and at least five days prior to the new deadline, investors will receive notice of it by email and through the "My Investments" screen. At the time of the new deadline, your funds will be transferred to the company from the escrow account, provided that the target offering amount is still met after any cancellations.
7. Book Entry. Investments may be in book entry form. This means that the Investor may not receive a certificate representing his or her investment. Each investment will be recorded in our books and records and will be recorded in each Investors' "My Investments" screen. The Investor will also be emailed the Investment Agreement again. The Investment Agreement will also be available on the "My Investments" screen. At the option of the company, you may receive an electronic certificate.

***How can an investor cancel an investment commitment?***

NOTE: Investors may cancel an investment commitment until 48 hours prior to the deadline identified in these offering materials.

The intermediary will notify investors when the target offering amount has been met. If the issuer reaches the target offering amount prior to the deadline identified in the offering materials, it may close the offering early if it provides notice about the new offering deadline at least five business days prior to such new offering deadline (absent a material change that would require an extension of the offering and reconfirmation of the investment commitment).

If an investor does not cancel an investment commitment before the 48-hour period prior to the offering deadline, the funds will be released to the issuer upon closing of the offering and the investor will receive securities in exchange for his or her investment.

If an investor does not reconfirm his or her investment commitment after a material change is made to the offering, the investor's investment commitment will be cancelled and the committed funds will be returned.

An Investor's right to cancel. An Investor may cancel his or her investment commitment at any time until 48 hours prior to the offering deadline.

If there is a material change to the terms of the offering or the information provided to the Investor about the offering and/or the company, the Investor will be provided notice of the change and must re-confirm his or her investment commitment within five business days of receipt of the notice. If the Investor does not reconfirm, he or she will receive notifications disclosing that the commitment was cancelled, the reason for the cancellation, and the refund amount that the investor is required to receive. If a material change occurs within five business days of the maximum number of days the offering is to remain open, the offering will be extended to allow for a period of five business days for the investor to reconfirm.

If the Investor cancels his or her investment commitment during the period when cancellation is permissible, or does not reconfirm a commitment in the case of a material change to the investment, or the offering does not close, all of the Investor's funds will be returned as soon as practicable.

Within five business days of cancellation of an offering by the company, the company will give each investor notification of the cancellation, disclose the reason for the cancellation, identify the refund amount the Investor will receive, and refund the Investor's funds.

The company's right to cancel. The Investment Agreement you will execute with us provides the company the right to cancel for any reason before the offering deadline.

If the sum of the investment commitments from all investors does not equal or exceed the target offering amount at the time of the offering deadline, no securities will be sold in the offering, investment commitments will be cancelled and committed funds will be returned.

**RESTRICTIONS ON TRANSFER OF THE SECURITIES BEING OFFERED:**

The securities being offered may not be transferred by any purchaser of such securities during the one year period beginning when the securities were issued, unless such securities are transferred:

- to the issuer;
- to an accredited investor;
- as part of an offering registered with the U.S. Securities and Exchange Commission; or
- to a member of the family of the purchaser or the equivalent, to a trust controlled by the purchaser, to a trust created for the benefit of a member of the family of the purchaser or the equivalent, or in connection with the death or divorce of the purchaser or other similar circumstance.

NOTE: The term "accredited investor" means any person who comes within any of the categories set forth in Rule 501(a) of Regulation D, or who the seller reasonably believes comes within any of such categories, at the time of the sale of the securities to that person.

The term "member of the family of the purchaser or the equivalent" includes a child, stepchild, grandchild, parent, stepparent, grandparent, spouse or spousal equivalent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the purchaser, and includes adoptive relationships. The term "spousal equivalent" means a cohabitant occupying a relationship generally equivalent to that of a spouse.

## ONGOING REPORTING

***The issuer will file a report electronically with the Securities & Exchange Commission annually and post the report on its website, no later than:***

120 days after the end of each fiscal year covered by the report.

***Once posted, the annual report may be found on the issuer's website at:*** https://legionm.com/investorrelations

The issuer must continue to comply with the ongoing reporting requirements until:

- the issuer is required to file reports under Section 13(a) or Section 15(d) of the Exchange Act;
- the issuer has filed at least one annual report pursuant to Regulation Crowdfunding and has fewer than 300 holders of record and has total assets that do not exceed $10,000,000;
- the issuer has filed at least three annual reports pursuant to Regulation Crowdfunding;
- the issuer or another party repurchases all of the securities issued in reliance on Section 4(a)(6) of the Securities Act, including any payment in full of debt securities or any complete redemption of redeemable securities; or the issuer liquidates or dissolves its business in accordance with state law.