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DELTA REPORT

10-Q

LEAFLY HOLDINGS, INC. /DE

10-Q - JUNE 30, 2023 COMPARED TO 10-Q - MARCH 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1295

 **CHANGES** 129

 **DELETIONS** 278

 **ADDITIONS** 888

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, June 30, 2023**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-39119

Leafly Holdings, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware

84-2266022

(State or other jurisdiction of

(I.R.S. Employer

incorporation or organization)

Identification No.)

113 Cherry Street, PMB 88154

98104-2205

Seattle, Washington

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (206) 455-9504

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 Par Value	LFLY	The Nasdaq Stock Market LLC
Warrants, exercisable for shares of common stock at an exercise price of \$11.50 per share	LFLYW	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of **May 5, 2023** **August 7, 2023**, the registrant had **41,048,566** **44,494,659** shares of common stock, \$0.0001 par value per share, outstanding.

Table of Contents

INDEX

	Page
<u>Cautionary Note Regarding Forward-Looking Statements</u>	2
Part I	
Financial Information	
Item 1. <u>Condensed Consolidated Financial Statements (Unaudited)</u>	
<u>Condensed Consolidated Balance Sheets as of March 31, 2023</u> <u>June 30, 2023</u> <u>and December 31, 2022</u> <u>(Audited)</u>	3
<u>Condensed Consolidated Statements of Operations for the Three and Six Months Ended March 31, 2023</u> <u>June 30, 2023</u> <u>and 2022</u>	4
<u>Condensed Consolidated Statements of Changes in Stockholders Deficit for the Three and Six Months Ended March 31, 2023</u> <u>June 30, 2023</u> <u>and 2022</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the Three Six Months Ended March 31, 2023</u> <u>June 30, 2023</u> <u>and 2022</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	29
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	39
	41

Item 4.	Controls and Procedures	4042
Part II	Other Information	
Item 1.	Legal Proceedings	4042
Item 1A.	Risk Factors	4042
Item 6.	Exhibits	4145

[Table of Contents](#)

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q ("Quarterly Report") contains a number of forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of present or historical fact included in or incorporated by reference in this Quarterly Report regarding Leafly Holdings, Inc.'s (the "Company's") future financial performance, as well as the Company's strategy, future operations, future operating results, financial position, estimated revenues, and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as "may," "expect," "anticipate," "contemplate," "believe," "estimate," "intend," "project," "budget," "forecast," "plan," "will," "could," "should," "predict," "potential," and "continue" or similar words. These forward-looking statements include all matters that are not historical facts. Forward-looking statements are predictions, projections and other statements about future events that are based on current expectations and assumptions and, as a result, are subject to risks and uncertainties. You should read statements that contain these words carefully because they:

- discuss future expectations;
- contain projections of future results of operations or financial condition; or
- state other "forward-looking" information.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report.

All forward-looking statements included herein attributable to the Company or any person acting on the Company's behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. These cautionary statements are being made pursuant to federal securities laws with the intention of obtaining the benefits of the "safe harbor" provisions of such laws. Except to the extent required by applicable laws and regulations, the Company

undertakes no obligations to update these forward-looking statements to reflect events or circumstances after the date of this Quarterly Report or to reflect the occurrence of unanticipated events.

There may be events in the future that the Company is not able to predict accurately or over which it has no control. The section in the Company's Annual Report on Form 10-K for the year ended 2022 ("2022 Annual Report") and in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 ("1Q 2023 10-Q") and in this Quarterly Report entitled "Risk Factors," and the section of this Quarterly Report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other cautionary language discussed in this report provide examples of risks, uncertainties and events that may cause actual results to differ materially from the expectations described by the Company in such forward-looking statements. These examples include:

- the Company's inability to raise sufficient capital or financing in the future to execute its business plan;
- the size, demands and growth potential of the markets for the Company's products and services and the Company's ability to serve those markets;
- the impact of worldwide economic conditions, including the resulting effect on consumer spending at local businesses and the level of advertising spending by local businesses;
- the degree of market acceptance and adoption of the Company's products, services and services; pricing changes;
- the Company's ability to attract and retain customers;
- the Company's ability to raise financing in the future;
- the Company's success in retaining or recruiting officers, key employees or directors;
- the impact of the regulatory environment and complexities with compliance related to such environment, including compliance with restrictions imposed by federal law; and
- factors relating to the business, operations and financial performance of the Company and its subsidiaries.

2

Table of Contents

Part I - Financial Information

Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

LEAFLY HOLDINGS, INC INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

March 31, 2023	December 31, 2022	June 30, 2023	Decembe r 31, 2022
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ASSETS					
Current assets					
Cash and cash equivalents	\$ 14,955	\$ 24,594	\$ 14,118	\$ 24,594	
Accounts receivable, net of allowance for doubtful accounts of \$1,091 and \$908, respectively	3,638	3,298			
Accounts receivable, net of allowance for doubtful accounts of \$1,404 and \$908, respectively			3,589	3,298	
Prepaid expenses and other current assets	4,287	1,792	3,186	1,792	
Restricted cash	360	360	360	360	
Total current assets	23,240	30,044	21,253	30,044	
Property, equipment, and software, net	2,622	2,285	2,649	2,285	
Restricted cash - long-term portion	248	248	251	248	
Other assets	100	135	75	135	
Total assets	\$ 26,210	\$ 32,712	\$ 24,228	\$ 32,712	
LIABILITIES AND STOCKHOLDERS' DEFICIT					
Current liabilities					
Accounts payable	\$ 1,224	\$ 1,625	\$ 962	\$ 1,625	
Accrued expenses and other current liabilities	4,662	6,235	3,838	6,235	
Deferred revenue	2,180	1,958	2,017	1,958	
Total current liabilities	8,066	9,818	6,817	9,818	
Non-current liabilities					
Non-current portion of convertible promissory notes, net	28,999	28,863	29,136	28,863	
Private warrants derivative liability	130	182	121	182	
Escrow shares derivative liability	7	52	6	52	
Stockholder earn-out rights derivative liability	34	204	30	204	
Total non-current liabilities	29,170	29,301	29,293	29,301	
Total liabilities	37,236	39,119	36,110	39,119	

Commitments and contingencies (Note 8)		
Stockholders' deficit		
Preferred stock: \$0.0001 par value; 5,000 and 5,000 authorized; 0 and 0 issued and outstanding; aggregate liquidation preference of \$0 and \$0 at March 31, 2023 and December 31, 2022, respectively	—	—
Common stock: \$0.0001 par value; 200,000 and 200,000 authorized; 43,849 and 43,275 issued at March 31, 2023 and December 31, 2022, respectively	4	4
Treasury stock: 3,081 and 3,081 shares held at March 31, 2023 and December 31, 2022, respectively	(31,663)	(31,663)
Preferred stock: \$0.0001 par value; 5,000 and 5,000 authorized; 0 and 0 issued and outstanding; aggregate liquidation preference of \$0 and \$0 at June 30, 2023 and December 31, 2022, respectively	—	—
Common stock: \$0.0001 par value; 200,000 and 200,000 authorized; 44,456 and 43,275 issued at June 30, 2023 and December 31, 2022, respectively	4	4
Treasury stock: 3,081 and 3,081 shares held at June 30, 2023 and December 31, 2022, respectively	(31,663)	(31,663)
Additional paid-in capital	90,730	89,952
Accumulated deficit	(70,097)	(64,700)
Total stockholders' deficit	(11,026)	(6,407)
Total liabilities and stockholders' deficit	\$ 26,210	\$ 32,712

See Notes to Condensed Consolidated Financial Statements.

[Table of Contents](#)

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Three Months Ended		Three Months Ended June		Six Months Ended June	
	March 31,		30,		30,	
	2023	2022	2023	2022	2023	2022
Revenue	\$ 11,249	\$ 11,420	\$ 10,675	\$ 12,050	\$ 21,924	\$ 23,470
Cost of revenue	1,346	1,455	1,238	1,441	2,584	2,896
Gross profit	9,903	9,965	9,437	10,609	19,340	20,574
Operating expenses						
Sales and marketing	4,911	7,014	2,852	8,112	7,763	15,126
Product development	3,280	3,465	2,320	4,056	5,600	7,521
General and administrative	6,660	6,931	5,016	7,310	11,676	14,241
Total operating expenses	14,851	17,410	10,188	19,478	25,039	36,888
Loss from operations	(4,948)	(7,445)	(751)	(8,869)	(5,699)	(16,314)
Interest expense, net	(713)	(697)	(724)	(717)	(1,437)	(1,414)
Change in fair value of derivatives	267	(10,397)	14	24,397	281	14,000
Other expense, net	(3)	(837)				
Net loss	\$ (5,397)	\$ (19,376)				
Other income (expense), net			25	(52)	22	(889)
Net (loss) income			\$ (1,436)	\$ 14,759	\$ (6,833)	\$ (4,617)
Net loss per share:						
Net (loss) income per share:						
Basic	\$ (0.14)	\$ (0.52)	\$ (0.04)	\$ 0.39	\$ (0.17)	\$ (0.13)
Diluted	\$ (0.14)	\$ (0.52)	\$ (0.04)	\$ 0.37	\$ (0.17)	\$ (0.13)
Weighted average shares outstanding:						
Basic	38,705	37,525	39,509	37,415	39,109	35,097
Diluted	38,705	37,525	39,509	42,041	39,109	35,097

See Notes to Condensed Consolidated Financial Statements.

[Table of Contents](#)

LEAFLY HOLDINGS, INC INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(in thousands)

Three and Six Months Ended June 30, 2023										
	Preferred Stock		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Total	
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at January 1, 2023	—	\$ —	43,275	\$ 4	(3,081)	\$ (31,663)	\$ 89,952	\$ (64,700)	\$ (6,407)	
Net loss	—	—	—	—	—	—	—	(5,397)	(5,397)	
Stock-based compensation	—	—	—	—	—	—	658	—	658	
Exercise of stock options	—	—	—	—	—	—	—	—	—	
Issuance of common stock under ESPP	—	—	289	—	—	—	120	—	120	
Issuance of common stock upon vesting of restricted stock units	—	—	285	—	—	—	—	—	—	
Balance at April 1, 2023	—	—	43,849	4	(3,081)	(31,663)	90,730	(70,097)	(11,026)	
Net loss	—	—	—	—	—	—	—	(1,436)	(1,436)	
Stock-based compensation	—	—	—	—	—	—	580	—	580	

Issuance of common stock upon vesting of restricted stock units	—	—	607	—	—	—	—	—	—	—
Balance at June 30, 2023	—	\$ —	44,456	\$ 4	(3,081)	\$ (31,663)	\$ 91,310	\$ (71,533)	\$ (11,882)	

Three Months Ended March 31, 2023										
	Preferred Stock		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Total	
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at January 1, 2023	—	\$ —	43,275	\$ 4	(3,081)	\$ (31,663)	\$ 89,952	\$ (64,700)	\$ (6,407)	
Net loss	—	—	—	—	—	—	—	(5,397)	(5,397)	
Stock-based compensation	—	—	—	—	—	—	658	—	658	
Issuance of common stock under ESPP	—	—	289	—	—	—	120	—	120	
Issuance of common stock upon vesting of restricted stock units	—	—	285	—	—	—	—	—	—	
Balance at March 31, 2023	—	\$ —	43,849	\$ 4	(3,081)	\$ (31,663)	\$ 90,730	\$ (70,097)	\$ (11,026)	

Table of Contents

LEAFLY HOLDINGS, INC

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT (Continued)

(in thousands)

Three Months Ended March 31, 2022										Three and Six Months Ended June 30, 2022										
Preferred Stock	Common Stock			Treasury Stock			Addition al Paid -In Capital	Acc umu late Defi cit	Total	Preferred Stock	Common Stock			Treasury Stock			Addition al Paid -In Capital	Acc umu late Defi cit	Total	
	Shares	Am oun t	Shares	Am oun t	Shares	Am oun t					Shares	Am oun t	Shares	Am oun t	Shares	Am oun t				
Shares	Am oun t	Shares	Am oun t	Shares	Am oun t	Shares	Am oun t	Shares	Am oun t	Shares	Am oun t	Shares	Am oun t	Shares	Am oun t	Shares	Am oun t	Shares	Am oun t	
Balanc e at																				
Januar y 1, 2022	6,1 40	\$ 1 ,0 86	25	\$ 3	—	\$ —	\$,1	\$ 9,77	61	(6 9,77)	(8,57)	6,1 40	\$ 1 ,0 86	25,	—	\$ 1 9	\$ 61,97	\$ 1 9,70	(8,57)	
Net loss	—	—	—	—	—	—	—	—	2 0	(1 9,77)	37	37	—	—	—	—	—	—	(1 9,3)	
Stock- based compensation	—	—	—	—	—	—	—	—	6)	6)	—	—	—	—	—	—	—	—	76	
Stock options	—	—	—	—	—	—	—	—	4	—	1,9	1,9	—	—	—	—	—	—	24	

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See Notes to Condensed Consolidated Financial Statements.

Table of Contents

LEAFLY HOLDINGS, INC INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended March 31,		Six Months Ended June 30,	
	2023	2022	2023	2022
Cash flows from operating activities				
Net loss	\$ (5,397)	\$ (19,376)	\$ (6,833)	\$ (4,617)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	195	52	421	149
Stock-based compensation expense	658	1,924	1,238	2,388
Bad debt expense, net of recoveries	725	(124)	1,410	640
Loss on disposition of assets	10	—	9	—
Noncash amortization of debt discount	136	104	273	233
Noncash interest expense associated with convertible debt	—	243	—	243
Noncash change in fair value of derivatives	(267)	10,397	(281)	(14,000)
Other	(7)	12	(6)	13
Changes in operating assets and liabilities:				
Accounts receivable	(1,065)	(198)	(1,701)	(687)
Prepaid expenses and other current assets	(2,460)	(5,970)	(1,334)	(3,977)
Accounts payable	(401)	1,309	(663)	1,456
Accrued expenses and other current liabilities	(1,565)	(2,969)	(2,399)	(713)
Deferred revenue	222	591	59	492
Net cash used in operating activities	<u>(9,216)</u>	<u>(14,005)</u>	<u>(9,807)</u>	<u>(18,380)</u>
Cash flows from investing activities				
Additions of property, equipment, and software	(535)	(788)	(788)	(1,415)
Net cash used in investing activities	<u>(535)</u>	<u>(788)</u>	<u>(788)</u>	<u>(1,415)</u>
Cash flows from financing activities				
Proceeds from exercise of stock options	—	127	—	157
Proceeds from convertible promissory notes	—	29,374	—	29,374

Proceeds from business combination placed in escrow and restricted	—	39,032	—	39,032
Trust proceeds received from recapitalization at closing	—	582	—	582
Issuance of common stock under ESPP	120	—	120	—
Transaction costs associated with recapitalization	—	(10,397)	—	(10,761)
Payments on related party payables	(8)	(7)		
Advances (repayments) of related party payables			2	(18)
Net cash provided by financing activities	112	58,711	122	58,366
Net (decrease) increase in cash, cash equivalents, and restricted cash	(9,639)	43,918	(10,473)	38,571
Cash, cash equivalents, and restricted cash, beginning of period	25,202	28,695	25,202	28,695
Cash, cash equivalents, and restricted cash, end of period	\$ 15,563	\$ 72,613	\$ 14,729	\$ 67,266

	Three Months Ended March 31,		Six Months Ended June 30,	
	2023	2022	2023	2022
Supplemental disclosure of non-cash financing activities:				
Stockholder contribution for debt issuance costs	\$ —	\$ 924	\$ —	\$ 924
Conversion of promissory notes into common stock	—	33,024	—	33,024
Issuance of forward share purchase agreements	—	14,170	—	14,170
Issuance of private warrants	—	3,916	—	3,916
Issuance of sponsor shares subject to earn-out conditions	—	6,867	—	6,867
Issuance of stockholder earn-out rights	—	26,131	—	26,131

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share amounts)

NOTE 1 — Description of the Business and Merger

Description of the Business

Leafly Holdings, Inc. ("Leafly" or "the Company") is a leading online cannabis discovery marketplace and resource for cannabis consumers. Leafly provides an information resource platform with a deep library of content, including detailed information about cannabis strains, retailers and current events. Leafly was incorporated in the state of Delaware on June 20, 2019 and is headquartered in Seattle, Washington.

The Company has three wholly-owned subsidiaries, Leafly Canada Ltd., Leafly Deutschland GmbH and Leafly, LLC ("Legacy Leafly"). Legacy Leafly is the accounting predecessor of Leafly. The accompanying consolidated financial statements include the financial results of the Company and its wholly-owned subsidiaries.

Merger with Merida

On February 4, 2022, Leafly consummated the previously announced mergers and related transactions (collectively, the "Merger") pursuant to the Agreement and Plan of Merger dated August 9, 2021 and amended on September 8, 2021 and on January 11, 2022 (as amended, the "Merger Agreement"). Legacy Leafly (formerly known as Leafly Holdings, Inc.) entered into the Merger Agreement with Merida Merger Corp. I ("Merida"), Merida Merger Sub, Inc., a Washington corporation ("Merger Sub I") and Merida Merger Sub II, LLC, a Washington limited liability company ("Merger Sub II" and, together with Merger Sub I, the "Merger Subs"). Merger Sub I merged with and into Legacy Leafly, with Legacy Leafly surviving as a wholly-owned subsidiary of Merida, and following the initial Merger and as part of a single integrated transaction with the initial Merger, Legacy Leafly merged with and into Merger Sub II, with Merger Sub II surviving as a wholly-owned subsidiary of Merida. As a result of these Mergers, Legacy Leafly became a wholly owned subsidiary of Merida and was renamed Leafly, LLC, Merida was renamed Leafly Holdings, Inc. ("New Leafly"), and the securityholders of Legacy Leafly became security holders of New Leafly. We sometimes refer to the Mergers described above and the other transactions contemplated by the Merger Agreement and the other agreements being entered into by Merida and Legacy Leafly in connection with the Mergers as the "Business Combination" and to Merida following the Business Combination as "New Leafly."

While the legal acquirer in the Business Combination is Merida, for financial accounting and reporting purposes under accounting principles generally accepted in the United States of America ("GAAP"), Legacy Leafly is the accounting acquirer with the Merger accounted for as a "reverse recapitalization." A reverse recapitalization does not result in a new basis of accounting, and the financial statements of the combined entity represent the continuation of the financial statements of Legacy Leafly. Under this accounting method, Merida is treated as the "acquired" company and Legacy Leafly is the

accounting acquirer, with the transaction treated as a recapitalization of Legacy Leafly. Merida's assets, liabilities and results of operations were consolidated with Legacy Leafly's beginning on the date of the Business Combination. Except for certain derivative liabilities, the assets and liabilities of Merida were recognized at historical cost (which is consistent with carrying value) and were not material, with no goodwill or other intangible assets recorded. The derivative liabilities, which are discussed in [Notes 13](#) and [18](#), were recorded at fair value. The consolidated assets, liabilities, and results of operations of Legacy Leafly became the historical financial statements, and operations prior to the closing of the Business Combination presented for comparative purposes are those of Legacy Leafly. Pre-Merger shares of common stock and preferred stock were converted to shares of common stock of the combined company using the conversion ratio of 0.3283 and for comparative purposes, the shares and net loss per share of Legacy Leafly, prior to the Merger, have been retroactively restated using the conversion ratio.

[Table of Contents](#)

NOTE 2 — Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The interim condensed consolidated financial statements have been prepared in accordance with GAAP and the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial reporting and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2022 and 2021, and Management's Discussion and Analysis of Financial Condition and Results of Operations of Leafly for the year ended December 31, 2022, each of which was filed with the SEC on March 29, 2023 (the "2022 Financial Information").

These condensed consolidated financial statements are unaudited and, in management's opinion, include all adjustments, consisting of normal recurring estimates and accruals necessary for a fair presentation of our consolidated cash flows, operating results, and balance sheets for the periods presented. Actual results may differ from these estimates and assumptions. The results of operations for any interim periods are not necessarily indicative of the results that may be expected for the entire fiscal year or any other interim period. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted in accordance with the rules and regulations of the SEC for interim reporting. All intercompany balances and transactions have been eliminated upon consolidation.

Going Concern Evaluation

Under the rules of ASC Subtopic 205-40 "Presentation of Financial Statements-Going Concern" ("ASC 205-40"), reporting companies are required to evaluate whether conditions and/or events raise substantial doubt about their ability to meet their future financial obligations as they become due within one year after the date that the financial statements are issued. This evaluation takes into account a company's current available cash and projected cash needs over the one-year evaluation

period but may not consider things beyond its control. Leafly has experienced revenue declines, incurred recurring operating losses, used cash from operations, and relied on the capital raised in the business Business Combination to continue ongoing operations. These conditions, when considered in the aggregate, raise substantial doubt about Leafly's ability to continue as a going concern within one year of the date these financial statements are issued. In response to these conditions, Leafly management took the following actions:

- During the fourth quarter of 2022, Leafly implemented a restructuring plan, including a reduction in force reflecting primarily one-time severance and other employee-related termination benefits incurred during the fourth quarter of 2022.
- During the three months ended March 31, 2023, Leafly announced a second restructuring plan further seeking to reduce recurring costs and identifying cost savings based on a reduction in force reflecting primarily one-time severance and other employee-related termination benefits incurred during the first quarter of 2023.

After considering all available evidence, Leafly's management determined that, based on the cost reduction measures outlined in both actions above, Leafly's current positive working capital will be sufficient to meet its capital requirements for a period of at least 12 months from the date that these **March 31, 2023** **June 30, 2023** financial statements are issued.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on the reported net loss. (loss) income.

Seasonality

We may experience seasonality in our business, which we believe has moderate impacts on our overall revenue. In certain years, we've seen seasonal fluctuations that coincide with either federal holidays, generally in the fourth quarter, or industry holidays and events, generally in the spring. Our industry and business history is limited and therefore we can't be certain that these are known trends or that other trends may develop.

Table of Contents

Emerging Growth Company Status

Leafly is an emerging growth company ("EGC"), as defined in the Jumpstart Our Business Startups Act ("JOBS Act"). Under the JOBS Act, EGCs can delay adopting new or revised accounting standards issued until such time as those standards apply to private companies. The Company has elected to use this extended transition period. In providing this relief, the JOBS Act does not preclude the Company from adopting a new or revised accounting standard earlier than the time that such standard applies to private companies. Leafly will continue to use this relief until the earlier of the date that it (a) is no longer an EGC or (b) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenue and expenses in the condensed consolidated financial statements and accompanying notes. On an ongoing basis, management evaluates its estimates. Such estimates include those related to the fair value of derivative liabilities; the allowance for doubtful accounts; the valuation allowance for deferred income tax assets; the fair value of the convertible promissory notes; the estimate of capitalized software costs and useful life of capitalized software; and the fair value of equity issuances. Management bases its estimates on historical experience, knowledge of current events and actions it may undertake in the future that management believes to be reasonable under the circumstances. Actual results may differ from these estimates and assumptions.

Significant Accounting Policies

The unaudited interim financial statements should be read in conjunction with the Company's 2022 Financial Information, which describes the Company's significant accounting policies. There have been no material changes to the Company's significant accounting policies during the **three** **six** months ended **March 31, 2023** **June 30, 2023** compared to our Annual Report on Form 10-K for the year ended December 31, 2022.

Recent Accounting Pronouncements

Accounting Pronouncements Issued But Not Yet Adopted

Management does not believe that there are any recently issued, but not yet effective, accounting standards that, if currently adopted, would have a material effect on the Company's consolidated financial statements or related disclosures.

NOTE 3 — Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents, and restricted cash consisted of the following:

	March 31, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 14,955	\$ 24,594	\$ 14,118	\$ 24,594
Restricted cash	360	360	360	360
Restricted cash - long-term portion	248	248	251	248
	\$ 15,563	\$ 25,202	\$ 14,729	\$ 25,202

The **March 31, 2023** and **December 31, 2022** restricted cash balances **at June 30, 2023** and **December 31, 2022** include \$360 of cash maintained in escrow related to Forward Share Purchase Agreements ("FPAs"). Effective August 1, 2022, the FPA holders elected to have Leafly repurchase their remaining 3,081 shares covered by the FPAs for an aggregate repurchase price of

\$31,663. As a result, the shares repurchased have been removed from Leafly's outstanding shares effective as of the date of purchase and placed into treasury. The FPA holders elected to have all but \$360 disbursed from the escrow account and are able to claim the remainder any time until August 1, 2023. The amount was distributed subsequent to June 30, 2023 ([Note 19](#)). If unclaimed, the remaining

10

[Table of Contents](#)

funds in escrow ~~will be~~ would have been distributed to the Company. Additional information regarding the FPAs is included in [Notes 13](#) and [18](#).

10

[Table of Contents](#)

NOTE 4 — Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following:

	March 31, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Prepaid subscriptions	\$ 880	\$ 916	\$ 697	\$ 916
Prepaid insurance	3,104	533	2,204	533
Other prepaid assets	272	272	254	272
Other current assets	31	71	31	71
Subtotal, current portion	4,287	1,792	3,186	1,792
Prepaid expenses, long-term portion	100	135	75	135
Total	\$ 4,387	\$ 1,927	\$ 3,261	\$ 1,927

NOTE 5 — Accounts Receivable, Net

Accounts receivable, net of \$3,638 ~~3,589~~ and \$3,298 as of ~~March 31, 2023~~ June 30, 2023 and December 31, 2022, respectively, consists of amounts due from customers less an allowance for doubtful accounts.

The following table presents the allowance for doubtful accounts and the changes therein:

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022	2023	2022
Balance, beginning of period	\$ 908	\$ 1,848	\$ 1,091	\$ 1,682	\$ 908	\$ 1,848
Add: provision for doubtful accounts, net of recoveries	725	(124)	685	764	1,410	640
Less: write-offs	(542)	(42)	(372)	(977)	(914)	(1,019)
Balance, end of period	<u>\$ 1,091</u>	<u>\$ 1,682</u>	<u>\$ 1,404</u>	<u>\$ 1,469</u>	<u>\$ 1,404</u>	<u>\$ 1,469</u>

NOTE 6 — Property, Equipment, and Software, Net

Property, equipment, and software consisted of the following:

	March 31, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Furniture and equipment	\$ 707	\$ 740	\$ 706	\$ 740
Capitalized internal-use software	2,843	2,310	3,095	2,310
	<u>3,550</u>	<u>3,050</u>	<u>3,801</u>	<u>3,050</u>
Less: accumulated depreciation and amortization	(928)	(765)	(1,152)	(765)
	<u>\$ 2,622</u>	<u>\$ 2,285</u>	<u>\$ 2,649</u>	<u>\$ 2,285</u>

The Company recognized depreciation and amortization expense as follows:

	Three Months Ended March 31,	
	2023	2022
Depreciation expense	\$ 23	\$ 52
Amortization of capitalized internal-use software	172	—
Total depreciation and amortization	<u>\$ 195</u>	<u>\$ 52</u>

Table of Contents

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Depreciation expense	\$ 24	\$ 46	\$ 47	\$ 98
Amortization of capitalized internal-use software	202	51	374	51
Total depreciation and amortization	<u>\$ 226</u>	<u>\$ 97</u>	<u>\$ 421</u>	<u>\$ 149</u>

NOTE 7 — Accrued Expenses and Other Current Liabilities

Accrued expenses consist of the following:

	March 31, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Accrued bonuses	\$ 466	\$ 1,309	\$ 562	\$ 1,309
Other employee-related liabilities	2,295	2,403	1,282	2,403
Accrued interest	400	1,000	1,000	1,000
Other accrued expenses ¹	1,501	1,523	994	1,523
	<u>\$ 4,662</u>	<u>\$ 6,235</u>	<u>\$ 3,838</u>	<u>\$ 6,235</u>

1. There are no individual items within this balance that exceed 10% of the total of the table.

NOTE 8 — Commitments and Contingencies

In the normal course of business, the Company may receive inquiries or become involved in legal disputes regarding various litigation matters. In the opinion of management, any potential liabilities resulting from such claims would not have a material adverse effect on the Company's consolidated financial statements.

Leases

The Company does not have any leases with an original term longer than 12 months as of **March 31, 2023** **June 30, 2023**. The Company has short-term arrangements with immaterial rental obligations for office space.

Nasdaq Notifications of Noncompliance

On October 28, 2022, the Company received a letter from the staff (the "Staff") of The Nasdaq Stock Market LLC ("Nasdaq") providing notification that the Company no longer **complies** **complied** with the \$50 million in market value of listed securities standard for continued listing on the Nasdaq Global Market under **Nasdaq's** **Nasdaq** Listing Rule 5450(b)(2)(A) and that the Company also **does** **did** not comply with either of the two alternative standards of Listing Rule 5450(b), the equity standard and the total assets and total revenue standard. On April 19, 2023, Nasdaq approved the Company's application to transfer the listing of its common stock and warrants from the Nasdaq Global Market to **The** **the** Nasdaq Capital Market, effective April 21, 2023. The Company complies with the net income from continuing operations listing standard of the Nasdaq Capital Market, and the transfer of the listing **resolves** **resolved** the October 28, 2022 noncompliance notification.

On November 2, 2022, **Leafly** **the Company** received another letter from the Staff providing notification that, for **the** **previous** 30 consecutive business days, the bid price **for Leafly's** **of the Company's** common stock had closed below the \$1.00 per share minimum bid price requirement for continued listing **on Nasdaq** under Nasdaq Listing Rule 5450(a)(1) (the "Bid Price Requirement"). The notices have no immediate effect on the listing of the Company's common stock or warrants.

In accordance with Nasdaq Listing Rule 5810(c)(3)(A), the Company has been provided an initial period of 180 calendar days, or until May 1, 2023, to regain compliance with the minimum bid price requirement. To regain compliance, the closing bid price of the Company's common stock must **be** **have been** \$1.00 per share or more **per share** for a minimum of **10** **ten** consecutive business days at any time before May 1, 2023 **and we must otherwise satisfy** the Nasdaq Global Market's requirements for continued listing. The Company's failure to regain compliance during this period could result in delisting.

If the Company does not regain compliance with the minimum bid price requirement by May 1, 2023, Nasdaq would notify the Company that its securities would be subject to delisting. In the event of such a notification, the Company may appeal the Staff's determination to delist its securities, but there can be no assurance the Staff would grant the Company's request for continued listing.

On May 2, 2023, a letter was received from the Staff ([Note 19](#)).

[Table of Contents](#)

On May 2, 2023, the Company received a letter from Nasdaq notifying it that the Company's common stock would be subject to delisting from Nasdaq unless the Company timely requested a hearing before a Nasdaq Hearings Panel (the "Panel"). On May 8, 2023, the Company timely requested a hearing before the Panel, and on May 11, 2023, the Company submitted a plan of compliance and requested an extension of time to regain compliance with the Bid Price Requirement (the "Request"). On May 23, 2023, the Company received a letter from the Panel confirming that the Request was granted and that the Company has until October 17, 2023 to effect a reverse stock split and until October 30, 2023 to regain compliance with the Bid Price Requirement, subject to meeting certain milestones including obtaining stockholder approval of a reverse stock split on or before July 12, 2023. On July 12, 2023 ([Note 19](#)), at the Company's Annual Meeting of Stockholders, the stockholders approved a proposal to effect a reverse stock split of the Company's outstanding shares of common stock by a ratio of not less than 1 for 10 and not more than 1 for 25 at any time prior to the Company's 2024 Annual Meeting of Stockholders, with the exact ratio to be set by the Leafly Board of Directors (the "Board") in the future, if at all, within the above range in its sole discretion, without further approval or authorization of the Company's stockholders. The Request stayed any further action by Nasdaq, during the remainder of the approved extension.

NOTE 9 — Revenue and Contract Balances

The following table presents the Company's revenue by service type:

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022	2023	2022
Advertising ¹	\$ 11,186	\$ 11,329	\$ 10,554	\$ 11,854	\$ 21,740	\$ 23,183
Other services ¹	63	91	121	196	184	287
	<u>\$ 11,249</u>	<u>\$ 11,420</u>	<u>\$ 10,675</u>	<u>\$ 12,050</u>	<u>\$ 21,924</u>	<u>\$ 23,470</u>

1. Amounts for the prior period have been reclassified to conform to the current period presentation.

The following table presents the Company's revenue by geographic region:

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022	2023	2022

United States ¹	\$ 10,805	\$ 10,526	\$ 10,253	\$ 11,076	\$ 21,058	\$ 21,602
All other countries ¹	444	894	422	974	866	1,868
	<u>\$ 11,249</u>	<u>\$ 11,420</u>	<u>\$ 10,675</u>	<u>\$ 12,050</u>	<u>\$ 21,924</u>	<u>\$ 23,470</u>

1. Amounts for the prior period have been reclassified to conform to the current period presentation.

The following table presents the Company's revenue by state:

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2023		2022		2023	
	2023	2022	2023	2022	2023	2022
Arizona	20%	18%	20%	20%	20%	19%
California	12%	11%	12%	13%	12%	12%
Oregon	11%	11%	10%	11%	11%	10%

No other state comprised 10% or more of Leafly's revenue during the three six months ended March 31, 2023 June 30, 2023 and 2022. We have a diversified set of customers; no single customer accounted for 10% or more of our revenue for the three six months ended March 31, 2023 June 30, 2023 or 2022.

13

Table of Contents

The following table presents the Company's revenue by timing of recognition:

Over Time ¹	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2023		2022		2023	
	2023	2022	2023	2022	2023	2022
Retail ²	\$ 9,470	\$ 9,179	\$ 8,840	\$ 9,065	\$ 18,310	\$ 18,244

Brands 3	1,362	1,564	1,280	1,745	2,642	3,309
	10,832	10,743	10,120	10,810	20,952	21,553
Point in time 1						
Brands 4	417	677	555	1,240	972	1,917
	<u>\$ 11,249</u>	<u>\$ 11,420</u>	<u>\$ 10,675</u>	<u>\$ 12,050</u>	<u>\$ 21,924</u>	<u>\$ 23,470</u>

1. Amounts for the prior period have been reclassified to conform to the current period presentation.
2. Revenues from subscription services and display ads.
3. Revenues from brand profile subscriptions and digital media (including display ads and audience extension).
4. Revenues from channel advertising (including direct to consumer email).

13

Table of Contents

Revenues recognized over time are associated with software subscriptions, display ads and audience extension. Revenues recognized at a point in time are associated with branded content and channel advertising. There are no material variations in delivery and revenue recognition periods within the over time category.

Contract liabilities consist of deferred revenue, which is recorded on the Consolidated Balance Sheets when the Company has received consideration, or has the right to receive consideration, in advance of transferring the performance obligations under the contract to the customer.

The following table presents the Company's deferred revenue balances and changes therein:

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2023		2022		2023	
Balance, beginning of period	\$ 1,958	\$ 1,975	\$ 2,180	\$ 2,566	\$ 1,958	\$ 1,975
Add: net increase in current period contract liabilities	1,951	2,184	1,710	1,591	1,932	2,239

Less: revenue recognized from beginning balance	<u>(1,729)</u>	<u>(1,593)</u>	<u>(1,873)</u>	<u>(1,690)</u>	<u>(1,87</u>	<u>(1,74</u>
Balance, end of period	<u>\$ 2,180</u>	<u>\$ 2,566</u>	<u>\$ 2,017</u>	<u>\$ 2,467</u>	<u>\$ 2,017</u>	<u>\$ 2,467</u>

A majority of the deferred revenue balance as of **March 31, 2023** **June 30, 2023** is expected to be recognized in the subsequent 12-month period. No other contract assets or liabilities are recorded on the Company's Consolidated Balance Sheets as of **March 31, 2023** **June 30, 2023** and December 31, 2022.

NOTE 10 — Income Taxes

The Company's effective tax rate was 0% for the three **and six** months ended **March 31, 2023** **June 30, 2023** and 2022. The effective tax rate was lower than the U.S. federal statutory rate of 21% due to the Company's full valuation allowance recorded against

14

Table of Contents

its deferred tax assets.

The Company had net operating loss carryforwards ("NOLs") for federal, state and foreign income tax purposes of approximately \$85,430, \$60,478 and \$5,801, respectively, as of December 31, 2022. The Company's state NOL will begin to expire in 2039, and all of the Company's federal NOLs will last indefinitely.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes restrictions on the utilization of NOLs in the event of an "ownership change" of a corporation. Accordingly, a company's ability to use NOLs may be limited as prescribed under Code Section 382 ("IRC Section 382"). Events which may cause limitations in the amount of the NOLs that the Company may use in any one year include, but are not limited to, a cumulative ownership change of more than 50% over a three-year period. Utilization of the federal and state NOLs may be subject to substantial annual limitation due to the ownership change limitations provided by the IRC Section 382 and similar state provisions.

ASC 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. There were no unrecognized tax benefits and no amounts accrued for interest and penalties as of **March 31, 2023** **June 30, 2023** and December 31, 2022. The Company is currently not aware of any issues under review that could result in significant payments, accruals, or

material deviation from its position. The Company is subject to income tax examinations by major taxing authorities since inception.

[Table of Contents](#)

The Company files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. Management believes all the income tax returns filed since inception remain open to examination by the major domestic and foreign taxing jurisdictions to which the Company is subject due to NOLs.

NOTE 11 — Convertible Promissory Notes

2022 Notes

Merida entered into a \$30,000 convertible note purchase agreement (the "Note Purchase Agreement") in January 2022, which Legacy Leafly subsequently guaranteed and joined as a party to the agreement on February 4, 2022 in connection with the Business Combination (the "2022 Notes"). Accordingly, post-Business Combination, the 2022 Notes are presented as a liability on Leafly's balance sheet, net of debt issuance costs and debt discount. The Company recognized debt issuance costs of \$714 paid in cash, and a debt discount of \$924 paid in shares transferred by Merida Holdings, LLC (the "Sponsor") to the holders of the 2022 Notes upon issuance. The 2022 Notes bear interest at 8% annually, paid in cash semi-annually in arrears on July 31 and January 31 of each year, and mature on January 31, 2025.

The 2022 Notes are unsecured convertible senior notes due 2025. They are convertible at the option of the holders at any time before maturity at an initial conversion share price of \$12.50 per \$1,000 principal amount of 2022 Notes and per \$1,000 of accrued but unpaid interest on any converted 2022 Notes. In addition, the Company may, at its election, force the conversion of the 2022 Notes on or after January 31, 2024, if the volume-weighted average trading price of the Company's common stock exceeds \$18.00 for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days. The Company also has the option, on or after January 31, 2023 and prior to the 40th trading day immediately before the maturity date and subject to the holders' ability to optionally convert, to redeem all or a portion of the 2022 Notes at a cash redemption price equal to 100% of the principal amount of the 2022 Notes, plus accrued and unpaid interest, if any. The holders of the 2022 Notes have the right to cause the Company to repurchase for cash all or a portion of the 2022 Notes held by such holder upon the occurrence of a "fundamental change" (as defined in the Note Purchase Agreement) or in connection with certain asset sales, in each case at a price equal to 100% of par plus accrued and unpaid interest, if any.

As of **March 31, 2023****June 30, 2023**, the net carrying amount of the 2022 Notes was **\$28,999****29,136**, which includes unamortized issuance costs and debt discount of **\$1,001****864**, which will be amortized over the remaining **22 months****term**. The estimated fair value of the convertible debt

[Table of Contents](#)

instruments was approximately \$25,300 as of March 31, 2023 June 30, 2023. The fair value of the 2022 Notes was measured using the Bloomberg OVCV model and CNVI model which modifies the underlying OVCV program. These models incorporate inputs for volatility, Leafly's stock price, time to maturity, the risk-free rate and Leafly's credit spread, some of which are considered Level 3 inputs in the fair value hierarchy.

2021 Notes

Legacy Leafly issued a series of convertible promissory notes in June 2021 totaling approximately \$23,970. In August 2021, Legacy Leafly issued additional convertible promissory notes totaling \$7,500 to Merida Capital, an affiliate of Merida. (Both note issuances are collectively referred to below as the "2021 Notes").

The 2021 Notes bore interest at 8% annually and were considered traditional convertible debt with the entire amount recognized as a liability (with no amount allocated to equity), reduced for direct issuance costs, with initial and subsequent recognition at amortized cost in accordance with the interest method. Unless converted, the entire balance of principal and accrued but unpaid interest was due on December 3, 2022. The 2021 Notes were contingently convertible upon the occurrence of certain events, to include a qualified financing, a non-qualified financing, or in a qualified public transaction.

On February 4, 2022, in connection with the Business Combination, the 2021 Notes were converted to approximately 4,128 shares of Leafly common stock at the conversion price of approximately \$2.63, which was 80% of the implied price per share of common stock in the Business Combination. Upon closing of the Business Combination, the shares of common stock then converted to shares of common stock of the combined company using the conversion ratio of 0.3283, which was used for conversion of all Leafly securities.

Table of Contents

NOTE 12 — Stockholders' Deficit

The Consolidated Statements of Changes in Stockholders' Deficit reflect the reverse recapitalization on February 4, 2022, as discussed in [Note 1](#). Since Legacy Leafly was determined to be the accounting acquirer in the Business Combination, all periods presented prior to consummation of the Business Combination reflect the historical activity and balances of Legacy Leafly (other than common and preferred stock and potentially issuable shares underlying stock options and convertible promissory notes, which have been retroactively restated).

Common Stock

On February 4, 2022, the Business Combination was consummated pursuant to the Merger Agreement. Prior to the Business Combination, Legacy Leafly's capital stock consisted of Series A preferred stock and common stock. Upon the consummation of the Business Combination, all issued and outstanding shares of Series A preferred stock converted to shares of nonredeemable common stock. In connection with the settlement of the FPAs ([Note 13](#)), 25 shares of the Company's common stock held by the Sponsor were canceled, according to an agreement between the Company and the Sponsor entered into upon execution of the FPAs.

As of **March 31, 2023** **June 30, 2023**, Leafly's authorized capital stock consisted of:

- 200,000 shares of Leafly common stock, \$0.0001 par value per share; and
- 5,000 shares of Leafly preferred stock, \$0.0001 par value per share.

Sponsor Shares Subject to Earn-Out Conditions

In accordance with the Merger Agreement, upon closing of the Business Combination, 1,625 of the shares of the Company's common stock held by the Sponsor were placed in escrow and subjected to earn-out conditions ("Escrow Shares"). Of these Escrow Shares, 50% will be released from escrow if and when the Company's common stock trades at or above \$13.50 for 20 out of 30 consecutive trading days at any time during the two-year period following closing, and the remaining 50% will be released from escrow if and when the Company's common stock trades at or above \$15.50 for 20 out of 30 consecutive trading days at any time during the three-year period following closing. In addition, all 1,625 Escrow Shares will be released upon a change in control.

16

Table of Contents

We account for the Escrow Shares as derivative liabilities, remeasured to fair value on a recurring basis, with changes in fair value recorded to earnings. See [Note 18](#) for additional information.

Treasury Stock

Effective August 1, 2022, the Company repurchased 3,081 shares of its common stock at a weighted-average price of \$10.28 per share for a total of \$31,663, with \$31,303 paid with restricted cash held in escrow at the time and \$360 remaining in accrued expenses and other current liabilities on our consolidated balance sheets at **March 31, 2023** **June 30, 2023** and December 31, 2022. These repurchases were in settlement of the FPAs. See [Notes 3](#) and [13](#) for additional information.

Stockholder Earn-Out Rights

Leafly stockholders, as of immediately prior to the closing of the Business Combination, were granted upon closing of the Business Combination, contingent rights to receive up to 5,429 shares of common stock (the "Rights") if the Company achieves certain earn-out conditions prior to the third anniversary of the Business Combination. We will account for the Rights as derivative liabilities, which we will remeasure to their current fair value as of the end of each reporting period, with changes in the fair value recorded to earnings. See [Note 18](#) for additional information.

The Rights will be earned and shares of common stock will be issued as follows:

First Tranche

Up to 2,715 shares will be issued if and when:

16

[Table of Contents](#)

- revenue for the year ended December 31, 2022 equaled or exceeded \$65,000 ("first revenue target"), or
- the date on which the volume-weighted average price of common stock for a period of at least 20 days out of 30 consecutive trading days ending on the trading day immediately prior to the date of determination is greater than or equal to \$13.50 ("first target price") during the two-year period beginning on the trading day after the closing date of the Merger (as adjusted for stock splits, reverse stock splits, stock dividends, reorganizations, recapitalizations, reclassifications, combinations, exchanges of shares or other like changes or transactions with respect to shares of common stock occurring at or after the closing of the Business Combination) (the "first target period"), or
- a change of control occurs within the two years after the closing date of the Business Combination at the first target price or higher, or
- a pro rata portion of 2,715 shares (50%) if the revenue during the target period meets or exceeds 90% of the first revenue target.

Second Tranche

Up to 2,715 shares will be issued if and when:

- revenue for the year ending December 31, 2023 equals or exceeds \$101,000 ("second revenue target"), or
- the date on which the volume-weighted average price of common stock for a period of at least 20 days out of 30 consecutive trading days ending on the trading day immediately prior to the date of determination is greater than or equal to \$15.50 ("second target price") during the three-year period beginning on the trading day after the closing date of the Merger (as adjusted for stock splits, reverse stock splits, stock dividends, reorganizations, recapitalizations, reclassifications, combinations, exchanges of shares or other like changes or transactions with respect to shares of common stock occurring at or after the closing of the Business Combination) (the "second target period"), or
- a change of control occurs within the three years after the closing date of the Business Combination at the second target price or higher, or

17

[Table of Contents](#)

- a pro rata portion of 2,715 (50%) if the revenue during the second target period meets or exceeds 90% of the second revenue target.

If the second revenue target or second target price is met in full, the respective first revenue target or first target price, as applicable, will be deemed to have been met as well if it had not been met during the first target period.

Preferred Stock

The Leafly board of directors Board is authorized, subject to limitations prescribed by the law of the State of Delaware, to issue Leafly preferred stock from time to time in one or more series. The Leafly board of directors Board is authorized to establish the number of shares to be included in each such series and to fix the voting rights, if any, designations, powers, preferences and relative, participating, optional, special and other rights, if any, and any qualifications, limitations and

restrictions thereof, applicable to the shares of each series. The Leafly board of directors **Board** is able, without stockholder approval, to issue Leafly preferred stock with voting and other rights that could adversely affect the voting power and other rights of the holders of the Leafly common stock and could have anti-takeover effects. The ability of the Leafly board of directors **Board** to issue Leafly preferred stock without stockholder approval could have the effect of delaying, deferring or preventing a change of control of Leafly or the removal of existing management. Leafly did not have any issued and outstanding shares of preferred stock as of **March 31, 2023** **June 30, 2023** or December 31, 2022.

Table of Contents

NOTE 13 — Warrants and Forward Share Purchase Agreements

Public Warrants

As At each of both **March 31, 2023** **June 30, 2023** and December 31, 2022, there were 6,501 warrants outstanding that had been included in the units issued in Merida's initial public offering (the "Public Warrants"). Each Public Warrant entitles the holder to purchase one share of common stock at an exercise price of \$11.50. Public Warrants may only be exercised for a whole number of shares. No fractional shares will be issued upon exercise of the Public Warrants. The Public Warrants became exercisable 30 days after the completion of the Business Combination. No warrants will be exercisable for cash unless the Company has an effective and current registration statement covering the shares of common stock issuable upon exercise of the warrants and a current prospectus relating to such shares of common stock.

Notwithstanding the foregoing, if a registration statement covering the shares of common stock issuable upon exercise of the Public Warrants is not effective within a specified period following the consummation of a merger, warrant holders may, until such time as there is an effective registration statement and during any period when the Company shall have failed to maintain an effective registration statement, exercise warrants on a cashless basis pursuant to the exemption provided by Section 3(a)(9) of the Securities Act, provided that such exemption is available. If that exemption, or another exemption, is not available, holders will not be able to exercise their warrants on a cashless basis. The Public Warrants will expire five years after the completion of a merger or earlier upon redemption or liquidation.

Once the warrants become exercisable, the Company may redeem the Public Warrants:

- in whole and not in part;
- at a price of \$0.01 per warrant;
- upon not less than 30 days' prior written notice of redemption;
- if, and only if, the reported last sale price of the Company's common stock equals or exceeds \$18.00 per share for any 20 trading days within a 30-trading day period commencing after the warrants become exercisable and ending on the third business day prior to the notice of redemption to the warrant holders; and
- if, and only if, there is a current registration statement in effect with respect to the shares of common stock under the warrants.

If the Company calls the Public Warrants for redemption, management will have the option to require all holders that wish to exercise the Public Warrants to do so on a "cashless basis," as described in the warrant agreement.

[Table of Contents](#)

Private Warrants

As of both March 31, 2023 and December 31, 2022, there were 3,950 warrants outstanding that Merida had sold to the Sponsor and EarlyBirdCapital in a private placement that took place simultaneously with Merida's initial public offering ("the Private Warrants"). The Private Warrants are identical to the Public Warrants, except that the Private Warrants and the shares of common stock issuable upon the exercise of the Private Warrants were not transferable, assignable or salable until after the completion of the Business Combination, subject to certain limited exceptions. Additionally, the Private Warrants will be exercisable for cash or on a cashless basis, at the holder's option, and be non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants. The exercise price and number of shares of common stock issuable upon exercise of the Private Warrants may be adjusted in certain circumstances including in the event of a stock dividend, or recapitalization, reorganization, merger or consolidation. However, the Private Warrants will not be adjusted for issuance of common stock at a price below its exercise price. Additionally, in no event will the Company be required to net cash settle the Private Warrants.

[Table of Contents](#)

We account for the Private Warrants as derivative liabilities, remeasured to fair value on a recurring basis, with changes in the fair value recorded to earnings. See [Note 18](#) for additional information.

Forward Share Purchase Agreements

In December 2021 and January 2022, the Company entered into four separate FPAs with certain investors. The FPAs allowed the investors to sell and transfer common stock held by the investors, not to exceed a total of 4,000 shares in aggregate, to the Company in exchange for cash. The price to be paid by the Company was initially \$10.16 per share for up to 2,600 shares and \$10.01 per share for up to 1,400 shares. As required by the FPAs, \$39,032 of cash was placed into escrow upon closing of the Business Combination, to be used for the share purchases. If the FPAs were not exercised by the holders within their terms of three months post-Business Combination closing, the associated funds were to be released from escrow to the Company. We account for the FPAs as derivative liabilities, remeasured to fair value on a recurring basis, with changes in the fair value recorded to earnings.

On May 3, 2022, Leafly and the holders entered into amendments to the FPAs (the "Amended FPAs"). The Amended FPAs modified the price at which the applicable holder has the right, but not the obligation, to have Leafly repurchase certain shares held by the applicable holder as of the closing of the Business Combination and not later sold into the market to a price of \$10.16 per share (with respect to 686 of the shares subject to the Amended FPAs) and \$10.31 per share (with respect to 2,404 of the shares subject to the Amended FPAs). The Amended FPAs also modified the date by which such holders may elect to have Leafly repurchase their shares to August 1, 2022. In connection with the Amended FPAs, certain amendments were also made to the escrow agreements in respect of the escrow accounts.

During the year ended December 31, 2022, a total of \$8,089 was released from the escrow accounts due to the FPA holders selling shares in the open market, which was accordingly reclassified on the Company's balance sheet from restricted cash to cash.

Effective August 1, 2022, the FPA holders elected to have Leafly repurchase their remaining 3,081 shares covered by the FPAs for an aggregate repurchase price of \$31,663. As a result, the shares repurchased have been removed from Leafly's outstanding shares effective as of the date of purchase and placed into treasury. The FPA holders elected to have all but \$360 disbursed from the escrow account and are able to claim the remainder any time until August 1, 2023. If unclaimed, the remaining funds in escrow will be distributed to the Company. Also, in connection with the settlement, 25 shares of the Company's common stock held by the Sponsor were canceled, according to an agreement between the Company and the Sponsor entered into upon execution of the FPAs.

[Table of Contents](#)

NOTE 14 — Equity Incentive and Other Plans

The Company currently has four equity plans: the New Leafly 2021 Equity Incentive Plan (the "2021 Plan"), the Legacy Leafly 2018 Equity Incentive Plan (the "2018 Plan"), the New Leafly Earn-Out Plan (the "Earn-Out Plan"), and the New Leafly 2021 Employee Stock Purchase Plan (the "ESPP"). **Awards** **Activity** under the 2021 Plan and the **ESPP** are detailed below. There were no options or other equity awards granted under the 2018 Plan or the Earn-Out Plan during the **three** **six** months ended **March 31, 2023** **June 30, 2023**.

Stock-Based Compensation

2021 Plan

The 2021 Plan became effective immediately upon closing of the Business Combination. Pursuant to the 2021 Plan, 4,502 shares of common stock were initially reserved for issuance. During the term of the 2021 Plan, the number of shares of common stock thereunder automatically increases on each January 1, commencing on January 1, 2023, and ending on (and including) January 1, 2031, by the lesser of (i) 10% of the fully diluted shares of common stock as of the last day of the

preceding fiscal year and (ii) 4,502 shares (adjusted pursuant to the terms of the 2021 Plan). Effective January 1, 2023, 4,416 shares of common stock were available for issuance under the 2021 Plan. Plan and 4,601 remained available at June 30, 2023.

2022 Awards

In August 2022 and October 2022, the Company's compensation committee of the board of directors Board and an authorized executive of the Company, as applicable, granted stock options to purchase an aggregate of approximately 102 shares of common stock at a weighted-average exercise price of \$1.98 per share and granted an aggregate of 2,560 restricted stock units ("RSUs") and performance stock units ("PSUs"). Of the PSUs granted, 683 were market-based awards made to executives with a grant date fair value of \$0.04 per share with vesting based on achievement of a \$1.0 billion market cap by February 4, 2026, and 137 were performance awards made to executives with a grant date fair value of \$0.81 per share with vesting based in part on achievement of a fiscal year 2022 Adjusted EBITDA target, which was achieved. Prior to such grants, no grants had been made under the 2021 Plan. Leafly's compensation committee approved the vesting of 137 PSUs awarded in 2022, which vested based on the achievement of the Company's 2022 Adjusted EBITDA target, on March 13, 2023.

2023 Awards

Leafly's compensation committee approved the grant of 631 annual incentive plan RSUs on March 14, 2023, which vested over four months. See [Note 19](#) for equity awards subsequent to June 30, 2023.

Stock Options

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option pricing model. No options were granted under the 2021 Plan during the three six months ended March 31, 2023 June 30, 2023 or 2022.

20

Table of Contents

Stock option activity under the 2021 Plan for the three six months ended March 31, 2023 June 30, 2023 was as follows:

				Weighted Average Remaining				Weighted Average Remaining			
Weighted		Average		Weighted		Average		Weighted		Average	
Number of Shares	Average Exercise Price	Aggregate Intrinsic Value	Contractual Term (in years)	Number of Shares	Average Exercise Price	Aggregate Intrinsic Value	Contractual Term (in years)	Number of Shares	Average Exercise Price	Aggregate Intrinsic Value	Contractual Term (in years)

Outstanding at January 1, 2023	101	\$ 1.98	\$ —	9.61	101	\$ 1.98	\$ —	9.61
Exercise d	—	—	—	—	—	—	—	—
Forfeited or expired	—	—	1.60	—	—	—	1.60	—
Outstanding at March 31, 2023	<u>101</u>	<u>\$ 1.98</u>	<u>\$ —</u>	<u>9.38</u>	101	\$ 1.98	—	9.14
Forfeited or expired	—	—	—	—	(1)	—	1.92	—
Outstanding at June 30, 2023	—	—	—	—	<u>100</u>	<u>\$ 1.98</u>	<u>\$ —</u>	<u>9.14</u>
Vested and exercisable	<u>27</u>	<u>\$ 1.98</u>	<u>\$ —</u>	<u>9.37</u>	<u>33</u>	<u>\$ 1.98</u>	<u>\$ —</u>	<u>9.14</u>

As of **March 31, 2023****June 30, 2023**, there was **\$83.75** of total unrecognized compensation cost related to stock options granted under the 2021 Plan. That cost is expected to be recognized over a weighted-average period of **2.86****2.61** years.

Restricted Stock Units and Performance Stock Units

RSU and PSU activity under the 2021 Plan for the **three****six** months ended **March 31, 2023****June 30, 2023** was as follows:

	Number of Shares	Grant Date	Weighted Average	
			Fair Value	Total Fair Value
Unvested at January 1, 2023	2,058	\$ 1.30		
Granted	631	0.48	\$ 305	
Vested	(359)	0.94	\$ 188	
Forfeited	(485)	1.00		

Unvested at March 31, 2023	<u>1,845</u>	<u>\$ 0.89</u>
		Weighted Average
	Number of Shares	Grant Date
		Fair Value
Unvested at January 1, 2023	2,058	\$ 1.30
Granted	631	0.48
Vested	(359)	0.94
Forfeited	(485)	1.00
Unvested at March 31, 2023	<u>1,845</u>	<u>0.89</u>
Vested	(524)	0.59
Forfeited	(331)	0.93
Unvested at June 30, 2023	<u>990</u>	<u>\$ 1.03</u>

As of **March 31, 2023** **June 30, 2023**, there was **\$1,437** **928** total unrecognized compensation cost related to unvested RSUs and **\$24** **10** total unrecognized compensation cost related to market-based PSUs granted under the 2021 Plan. The total cost is expected to be recognized over a weighted-average period of **2.57** **2.61** years.

2018 Plan

The 2018 Plan became effective on April 17, 2018. The 2018 Plan terminated upon closing of the Business Combination in 2022, but then-outstanding options under the 2018 Plan remain outstanding pursuant to their terms, with adjustments to the number of shares and exercise prices to reflect the terms of the Business Combination.

The fair value of each stock option award to employees is estimated on the date of grant using the Black-Scholes option pricing model. There were no grants made in 2023 or 2022 under the 2018 Plan.

Table of Contents

Stock option activity under the 2018 Plan for the periods presented was as follows:

	Weighted Average Remaining				Weighted Average Remaining			
	Number of Shares	Weighted Average Exercise Price		Contractual Term (in years)	Number of Shares	Weighted Average Exercise Price		Contractual Term (in years)
		Number of Shares	Intrinsic Value			Number of Shares	Intrinsic Value	
Outstanding at January 1, 2023	3,431	\$ 1.60			3,431	\$ 1.60		
Exercise of Forfeited or expired	—	0.40			—	0.40		
Outstanding at March 31, 2023 ¹	2,985	\$ 1.63	\$ 15	4.73	(446)	1.40		
Outstanding at March 31, 2023 Forfeited or expired	2,985	\$ 1.63			(513)	1.27		
Outstanding at June 30, 2023 ¹	2,472	\$ 1.71	\$ 6	4.88				
Vested and exercisable	1,777	\$ 1.25	\$ 15	4.81	1,380	\$ 1.34	\$ 6	5.58

- Includes 1,929 1,416 and 1,056 awards accounted for as service-based and market-based options, respectively, that are vested, that the Company currently deems probable of vesting, or in the case of market-based options, that the Company is expensing so long as the respective service conditions are met. The market-based options will vest only if the price of

the Company's common stock reaches a \$1 billion market capitalization target for any 20 days during a 30-day period on or before February 4, 2026.

As of **March 31, 2023** **June 30, 2023**, there was: (i) \$611,423 of unrecognized compensation cost related to service-based 2018 Plan option awards, which is expected to be recognized over a remaining weighted-average service period of approximately **1.96** **1.81** years; and (ii) \$1,136,862 of unrecognized compensation cost related to market-based 2018 Plan option awards, which is expected to be recognized over a remaining weighted-average service period of approximately **1.05** **0.81** years.

Stock-Based Compensation Expense

The following table presents the classification of stock-based compensation expense under the **2018** **2021** Plan and the **2021** **2018** Plan:

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022	2023	2022
Sales and marketing	\$ 76	\$ 34	\$ 60	\$ 26	\$ 136	\$ 60
Product development	109	18	97	19	206	37
General and administrative	473	1,872	423	419	896	2,291
	\$ 658	\$ 1,924	\$ 580	\$ 464	\$ 1,238	\$ 2,388

2022 Option Modification

Concurrent with the closing of the Business Combination, the vesting provisions of certain stock options previously granted in 2021 under the 2018 Plan to our Chief Executive Officer to purchase 2,917 shares of common stock were modified, and a corresponding charge of \$1,366 was recorded during the three months ended March 31, 2022 to general and administrative expenses and additional paid-in capital.

Earn-Out Plan

The Earn-Out Plan became effective immediately upon closing of the Business Combination. Pursuant to the Earn-Out Plan, approximately 571 shares of common stock have been reserved for issuance to employees and certain other eligible parties in the form of RSUs. These RSUs will vest if the Company achieves certain thresholds prior to the third anniversary of the Merger. No RSUs have been awarded under the Earn-Out Plan as of **March 31, 2023** **June 30, 2023**.

Employee Stock Purchase Plan

The ESPP became effective immediately upon closing of the Business Combination. Pursuant to the ESPP, 1,126 shares of common stock are initially reserved for issuance. During the term of the ESPP, the number of shares of common stock

Table of Contents

thereunder automatically increases on each January 1, commencing on January 1, 2023 and ending on (and including) January 1, 2031, by the lesser of (i) 2.5% of the fully diluted shares of common stock as of the last day of the preceding fiscal year and (ii) 1,126 shares (as adjusted pursuant to the terms of the ESPP). Effective January 1, 2023, 1,104 shares of common stock were available for issuance under the **ESPP**, 815 remained available at June 30, 2023. On March 15, 2023, Leafly's employees purchased 289 shares for a total purchase price of \$120. The Company's current offering period runs from March 16, 2023 through September 15, 2023.

Defined Contribution Plan

The Company recognized expense from matching contributions to the Company-sponsored defined contribution retirement (401k) plan as follows for the periods presented:

	Three Months Ended March 31,			
	2023	2022	2023	2022
401(k) matching contributions	\$ 233	\$ 244		

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
401(k) matching contributions	\$ 153	\$ 215	\$ 386	\$ 459

NOTE 15 — Related Party Transactions

In June 2021, Merida Capital, an affiliate of Merida, purchased a convertible promissory note totaling \$1,000. The note was issued as part of the existing series of 2021 Notes (see [Note 11](#)) and was subject to the same interest rate, maturity, and

conversion terms. This note converted to shares of Leafly common stock upon closing of the Business Combination in February 2022, along with the other 2021 Notes.

At December 31, 2022, the Company owed \$10 to two members of its board of directors, Board, which is included in accrued expenses and other current liabilities on Leafly's consolidated balance sheet and was repaid prior to March 31, 2023 June 30, 2023.

NOTE 16 — Net Loss(Loss) Income Per Share

Basic and diluted net loss (loss) income per share attributable to common stockholders is presented in conformity with the two-class method required for participating securities. Under the two-class method, basic net loss (loss) income per share attributable to common stockholders is computed by dividing the net loss (loss) income attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Shares repurchased and held in treasury by the Company are removed from the weighted-average number of shares of common stock outstanding as of the date of repurchase.

The Company considers its preferred stock to be participating securities. As of March 31, 2023 June 30, 2023 and March 31, 2022 June 30, 2022, the Company had 1,625 outstanding shares of common stock that are in escrow and subject to earn-out conditions and thus forfeiture, which do not meet the criteria for participating securities (see [Note 12](#) for additional information). Net loss (loss) income is attributed to common stockholders and participating securities based on their participation rights. Net loss is not attributed to the preferred stock as the holders of the preferred stock do not have a contractual obligation to share in any losses.

23

Table of Contents

Diluted earnings per share attributable to common stockholders adjusts basic earnings per share for the potentially dilutive impact of non-participating shares of common stock that are subject to forfeiture, stock options, preferred stock, convertible notes, and other securities outstanding. Certain securities are antidilutive and as such, are excluded from the calculation of diluted earnings per share and disclosed separately. Because of the nature of the calculation, particular securities may be dilutive in some periods and anti-dilutive in other periods. The Class 1, 2, and 3 common shares presented below have been retroactively restated for all periods using the conversion ratio in connection with the Business Combination.

The following table presents the computation of basic and diluted net loss (loss) income per share attributable to common stockholders, as a group, for the periods presented:

	Three Months Ended March 31,	
	2023	2022

Net loss	\$ (5,397)	\$ (19,376)
Weighted average shares outstanding	38,705	37,525
Basic net loss per share	\$ (0.14)	\$ (0.52)
Diluted net loss per share	\$ (0.14)	\$ (0.52)

During 2022, the Class 1, 2, and 3 shares were outstanding from January 1, 2022 through February 3, 2022, while only one class of common stock was outstanding beginning February 4, 2022. Following are the calculations of basic and diluted net loss per share for each class of common stock (refer to the tables above for the impact of common stock equivalents on common shares for the periods presented):

	Three Months Ended March 31, 2022			
	Common	Class 1	Class 2	Class 3
Net loss	\$ (12,013)	\$ (2,748)	\$ (4,030)	\$ (585)
Weighted average shares outstanding	35,206	3,543	5,196	754
Common stock and common stock equivalents	35,206	3,543	5,196	754
Basic net loss per share	\$ (0.34)	\$ (0.78)	\$ (0.78)	\$ (0.78)
Diluted net loss per share	\$ (0.34)	\$ (0.78)	\$ (0.78)	\$ (0.78)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net (loss) income	\$ (1,436)	\$ 14,759	\$ (6,833)	\$ (4,617)
Income impact of convertible promissory notes	—	600	—	—
Total undistributed (loss) income	\$ (1,436)	\$ 15,359	\$ (6,833)	\$ (4,617)
Weighted average shares outstanding	39,509	37,415	39,109	35,097
Dilutive effect of convertible promissory notes	—	2,429	—	—
Dilutive effect of stock-based awards	—	2,197	—	—
Common stock and common stock equivalents	39,509	42,041	39,109	35,097

Basic net (loss) income per share	\$ (0.04)	\$ 0.39	\$ (0.17)	\$ (0.13)
Diluted net (loss) income per share	\$ (0.04)	\$ 0.37	\$ (0.17)	\$ (0.13)

The following shares of common stock subject to certain instruments were excluded from the computation of diluted net income per share attributable to common stockholders for the periods presented as their effect would have been antidilutive (with figures recast using the conversion ratio for the Business Combination, as applicable):

	Three Months Ended March 31,	
	2023	2022
Shares subject to warrants	10,451	10,451
Shares subject to convertible promissory notes	2,480	2,400
Shares subject to forward purchase agreements	—	3,861
Escrow Shares	1,625	1,625
Shares subject to outstanding common stock options, RSUs and PSUs	4,853	3,681
Shares subject to stockholder earn-out rights	5,429	5,429
	24,838	27,447

24

Table of Contents

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Shares subject to warrants	10,451	10,451	10,451	10,451
Shares subject to convertible promissory notes	2,480	—	2,480	2,429
Shares subject to forward purchase agreements	—	3,819	—	3,819
Escrow Shares	1,625	1,625	1,625	1,625
Shares subject to outstanding common stock options, RSUs and PSUs	3,825	1,105	4,336	1,105
Shares subject to stockholder earn-out rights	5,429	5,429	5,429	5,429

<u>23,810</u>	<u>22,429</u>	<u>24,321</u>	<u>24,858</u>
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See [Note 11](#) for additional information regarding convertible promissory notes, [Note 12](#) for additional information regarding stockholder earn-out rights, preferred stock, and Escrow Shares, [Note 13](#) for additional information regarding warrants, and [Note 14](#) for additional information regarding stock options, RSUs and PSUs.

NOTE 17 — Segment Reporting

Segment revenue and gross profit were as follows during the periods presented:

	Three Months Ended March 31,	
	2023	2022
Revenue:		
Retail	\$ 9,470	\$ 9,179
Brands	1,779	2,241
Total revenue	\$ 11,249	\$ 11,420
Gross profit:		
Retail	\$ 8,390	\$ 8,139
Brands	1,513	1,826
Total gross profit	\$ 9,903	\$ 9,965

24

Table of Contents

	Three Months Ended		Six Months Ended June	
	June 30,		30,	
	2023	2022	2023	2022
Revenue:				
Retail	\$ 8,840	\$ 9,065	\$ 18,310	\$ 18,244
Brands	1,835	2,985	3,614	5,226
Total revenue	\$ 10,675	\$ 12,050	\$ 21,924	\$ 23,470
Gross profit:				

Retail	\$ 7,863	\$ 8,075	\$ 16,254	\$ 16,214
Brands	1,574	2,534	3,086	4,360
Total gross profit	<u><u>\$ 9,437</u></u>	<u><u>\$ 10,609</u></u>	<u><u>\$ 19,340</u></u>	<u><u>\$ 20,574</u></u>

Assets are not allocated to segments for internal reporting presentations, nor are depreciation and amortization.

Geographic Areas

The Company's operations are primarily in the U.S. and to a lesser extent, in Canada. Refer to [Note 9](#) for revenue classified by major geographic area.

NOTE 18 — Fair Value Measurements

The Company follows the guidance in ASC 820, "Fair Value Measurement," for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period. The fair value of the Company's financial assets and liabilities reflects management's estimate of amounts that the Company would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from independent sources) and to minimize the use of unobservable inputs (internal assumptions about how market participants would price assets and liabilities).

The following fair value hierarchy is used to classify assets and liabilities based on the observable inputs and unobservable inputs used in order to value the assets and liabilities:

- Level 1:** Quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2:** Observable inputs other than Level 1 inputs. Examples of Level 2 inputs include quoted prices in active markets for similar assets or liabilities and quoted prices for identical assets or liabilities in markets that are not active.
- Level 3:** Unobservable inputs based on our assessment of the assumptions that market participants would use in pricing the asset or liability.

25

[Table of Contents](#)

The Company's financial instruments include cash equivalents, restricted cash, accounts receivable from customers, accounts payable and accrued liabilities, all of which are typically short-term in nature. The Company believes that the carrying amounts of these financial instruments reasonably approximate their fair values due to their short-term nature.

The following table presents information about the Company's derivative liabilities that are measured at fair value on a recurring basis beginning February 4, 2022 (the date of closing of the Business Combination) when the derivative liabilities

Table of Contents

were assumed, and discloses the fair value hierarchy level of the valuation inputs the Company utilized to determine such fair value:

Total	6	5				3	6				
	1	1				7	1			2	1
	,	,	(1			,	,			4,	4,
	4	0	0,			0	4			3	2
	17	43	8	8	26	39	15	17	43	8	8
	\$ 1	\$ 8	\$ 2	\$ 5	\$ 7	\$ 7)	\$ 7	\$ 1	\$ 8	\$ 5	\$ 2
	<u> </u>										
	<u> </u>										

1. The forward share purchase agreements were settled effective August 1, 2022, at which time the fair value was \$13,824 based on cash settlement.

Assumptions used to determine the fair values are presented in the following sections:

Private Warrants Derivative Liability

The Private Warrants were valued using a Black-Scholes model and the following Level 3 inputs:

	March 31,	December	March 31,	February 4,
	2023	31, 2022	2022	2022
Exercise price	\$ 11.50	\$ 11.50	\$ 11.50	\$ 11.50
Stock price	\$ 0.40	\$ 0.65	\$ 8.28	\$ 6.53
Volatility	88.8 %	75.0 %	36.7 %	34.3 %
Term (in years)	3.84	4.09	4.85	5.00
Risk-free rate	3.7 %	4.1 %	2.4 %	1.8 %
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %

	June 30,	March 31,	Decembe	June 30,	March
	2023	2023	r 31, 2022	2022	31, 2022
Exercise price	\$ 11.50	\$ 11.50	\$ 11.50	\$ 11.50	\$ 11.50
Stock price	\$ 0.29	\$ 0.40	\$ 0.65	\$ 4.50	\$ 8.28
Volatility	99.9 %	88.8 %	75.0 %	51.6 %	36.7 %
Term (in years)	3.60	3.84	4.09	4.59	4.85
Risk-free rate	4.5 %	3.7 %	4.1 %	3.0 %	2.4 %
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

The volatility input was calculated using a weighted average of historical volatilities from select benchmark companies and the volatility of the Public Warrants. The term input represents the maximum contractual term, though the Private Warrants may be exercised earlier. The interest rate input is the U.S. Treasury constant maturity rate for the instrument that most closely matches the term input.

[Table of Contents](#)

Forward Share Purchase Agreements Derivative Liability

The FPAs were valued using a Black-Scholes model and the following Level 3 inputs:

	March 31, 2022		February 4, 2022		June 30, 2022		March 31, 2022	
Exercise price - one agreement	\$	10.16	\$	10.16	\$	10.31	\$	10.16
Exercise price - three agreements	\$	10.01	\$	10.01	\$	10.16	\$	10.01
Stock price	\$	8.28	\$	6.53	\$	4.50	\$	8.28
Volatility		72.6 %		63.9 %		70.4 %		72.6 %
Term (in years)		0.09		0.24		0.09		0.09
Risk-free rate		0.2 %		0.2 %		1.3 %		0.2 %
Dividend yield		0.0 %		0.0 %		0.0 %		0.0 %

The volatility input was calculated using a weighted average of historical volatilities from select benchmark companies. The term input represents the maximum contractual term, though the shares underlying the FPAs were in some cases sold by the holders into the open market earlier (see [Note 13](#)). The interest rate input is the U.S. Treasury constant maturity rate for the instrument that most closely matches the term input.

Escrow Shares Derivative Liability

The Escrow Shares derivative liability was calculated using a Monte Carlo simulation and the following Level 3 inputs:

March 31, 2023	Decem ber 31, 2022	March 31, 2022	Februa ry 4, 2022	June 30, 2023	March 31, 2023	Decem ber 31, 2022	June 30, 2022	March 31, 2022
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First stock price trigger	13.5 \$ 0	\$ 13.50	\$ 0	\$ 0	13.5 \$ 0	\$ 0	\$ 13.50	\$ 0	\$ 0	13.5 \$ 0	\$ 0
Second stock price trigger	15.5 \$ 0	\$ 15.50	\$ 0	\$ 0	15.5 \$ 0	\$ 0	\$ 15.50	\$ 0	\$ 0	15.5 \$ 0	\$ 0
Stock price	\$ 0.40	\$ 0.65	\$ 8.28	\$ 6.53	\$ 0.29	\$ 0.40	\$ 0.65	\$ 4.50	\$ 8.28		
Volatility	87.5%	86.0%	63.0%	64.0%	98.6%	87.5%	86.0%	68.0%	63.0%		
Term (in years)	1.84	2.09	2.85	3.00	1.60	1.84	2.09	2.59	2.85		
Risk-free rate	4.1%	4.4%	2.4%	1.6%	5.1%	4.1%	4.4%	3.0%	2.4%		
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		

The volatility input was calculated using a weighted average of historical volatilities from select benchmark companies. The term input represents the maximum contractual term, though the shares may be released from escrow earlier. The interest rate input is the U.S. Treasury constant maturity rate for the instrument that most closely matches the term input.

Table of Contents

Stockholder Earn-Out Rights Derivative Liability

The stockholder earn-out rights were valued using a Monte Carlo simulation and the following Level 3 inputs:

March 31, 2023	Decem ber 31, 2022	March 31, 2022	Febru ary 4, 2022	June 30, 2023	March 31, 2023	Decem ber 31, 2022	June 30, 2022	March 31, 2022
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First stock price trigger	13.5	\$ 0	\$ 13.50	\$ 0	\$ 0	13.5	\$ 0	\$ 0	\$ 13.50	\$ 0	\$ 0
Second stock price trigger	15.5	\$ 0	\$ 15.50	\$ 0	\$ 0	15.5	\$ 0	\$ 0	\$ 15.50	\$ 0	\$ 0
First revenue trigger	65,0	\$ 00	\$ 65,00	\$ 00	\$ 00	65,0	\$ 00	\$ 00	\$ 65,00	\$ 00	\$ 00
Second revenue trigger	101,	\$ 000	\$ 101,0	\$ 000	\$ 000	101,	\$ 000	\$ 000	\$ 101,0	\$ 000	\$ 000
Stock price	\$ 0.40	\$ 0.65	\$ 8.28	\$ 6.53	\$ 0.29	\$ 0.40	\$ 0.65	\$ 4.50	\$ 8.28		
Base year revenue assumption	44,0	\$ 00	48,00	\$ 0	\$ 00	55,5	\$ 00	\$ 00	48,00	\$ 00	\$ 00
Volatility	87.5 %	86.0 %	63.0 %	64.0 %		98.6 %	87.5 %	86.0 %	68.0 %	63.0 %	
Term (in years)	1.84	2.09	2.85	3.00		1.60	1.84	2.09	2.59	2.85	
Risk-free rate	4.1 %	4.4 %	2.4 %	1.6 %		5.1 %	4.1 %	4.4 %	3.0 %	2.4 %	
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %		0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	

The revenue assumption input relates to projected revenue for fiscal year 2022 (for the periods ended **March 31, 2022** **June 30, 2022** and **February 4, 2022** **March 31, 2022**) and fiscal year 2023 (for the periods ended **December 31, 2022** **June 30, 2023** and **March 31, 2023**) and represents the midpoint of revenue guidance the Company had provided in the respective period. The volatility input was calculated using a weighted average of historical volatilities from select benchmark companies. The term input represents the maximum contractual term, though the stockholder earn-out rights may vest earlier. The interest rate input is the U.S. Treasury constant maturity rate for the instrument that most closely matches the term input.

NOTE 19 — Subsequent Event Events

Nasdaq Notification of Noncompliance Restricted Cash

On May 2, 2023 July 11, 2023, Leafly returned \$360 of restricted cash to the Company received FPA Holders pursuant to the terms of the FPAs ([Note 3](#)).

Reverse Stock Split

On July 12, 2023, during the Company's 2023 Annual Meeting of Stockholders, Leafly's stockholders approved a letter from Nasdaq notifying it that Leafly's common proposal for a reverse stock would be subject to delisting from Nasdaq unless split as part of the Company timely requested a hearing before a Nasdaq Hearings Panel (the "Panel"). The Panel has the discretion to grant up to an additional 180 calendar days from May 2, 2023, to give the Company time Company's plan to regain compliance with the \$1.00 per share minimum bid price requirement for continued listing Bid Price Requirement under Nasdaq Listing Rule 5450(a)(1) (the "Bid Price Rule") listing rules ([Note 8](#)). The Board retains sole discretion to determine the ratio and effective date of the reverse stock split, if at all, at a later date.

Equity Awards

On May 8, 2023 July 25, 2023, the Company timely requested a hearing before the Panel. The Request stayed any further action by Nasdaq, Leafly awarded: 2,512 service-based RSUs to employees, which will vest over two years; 655 RSUs to non-employee Board members, which will vest on August 20, 2023; and while the hearings process is pending, it is expected that the Common Stock will continue 473 PSUs to be listed and traded on Nasdaq, senior management, contingent upon fiscal year 2023 financial performance.

Table of Contents

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with our audited financial statements and the notes related thereto which are included in "Part I. Item 1. Financial Statements" of this Quarterly Report on Form 10-Q. Certain information contained in the discussion and analysis set forth below includes forward-looking statements. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those set forth under "[Item 1A. Risk Factors](#)" and elsewhere in our [2022 Annual Report on Form 10-K for the year ended December 31, 2022 \(the "2022 Annual Report"\)](#), and [Q1 2023 10-Q](#).

Amounts in this section are presented in thousands, except for per share numbers and percentages.

Business Overview

Leafly is a leading online cannabis discovery marketplace and resource for cannabis consumers. Leafly provides an information resource platform with a deep library of content, including detailed information about cannabis strains, retailers and cannabis products. We are a trusted destination to discover legal cannabis products and order them from licensed

retailers with offerings that include subscription-based products and digital advertising. Legacy Leafly was founded in 2010 and is headquartered in Seattle with 194 total employees, with 184 including 135 in the U.S. and 105 in Canada as of March 31, 2023 June 30, 2023. The number of employees at March 31, 2023 does not reflect the impact of the reduction in force that was announced on March 16, 2023 discussed below.

Leafly is one of the cannabis industry's leading marketplaces for brands and retailers to reach one of the largest audiences of consumers interested in cannabis. Our platform includes educational information, strains data, and lifestyle content, enabling consumers to use Leafly's content library to have an informed shopping experience. Leafly reduces the friction caused by fragmented regulation of cannabis across North America and offers a compliant digital marketplace that connects cannabis consumers with legal and licensed retailers and brands nearest them.

Leafly allows each shopper to tailor their journey, selecting the store, brand, and cannabis form-factor that appeals to them. Once that shopper builds a basket and is ready to order, our non-plant-touching business model sends that order reservation to the store for payment and fulfillment. By matching stores and shoppers, we deliver value to all constituencies. We monetize our platform primarily through the sale of subscription packages, bundling e-commerce software and advertising solutions, as well as non-subscription-based advertising to retailers and brands. Through the participation on our platform, retailers and brands can reach and engage the millions of monthly average users ("MAUs") on our platform, one of the largest cannabis-focused audiences in the world.

Significant Events

Content Shift

During the first half of 2023, in conjunction with our reductions in staffing and cost cutting (see "Reductions in Force" below), Leafly began its transition from a news-centric platform to a marketplace platform. In this "content shift," we changed our focus from providing content to drive traffic to maximizing customer demand for our retailers by attracting visitors that are more likely to order from our retailers. Leafly has enhanced its deal types, delivery options and created deeper search capabilities intended to drive conversion to sales back to retailers and brands. Our strategy is to focus on key and emerging retailer and brand accounts by strongly aligning our sales and marketing resources with their needs. In addition, at the end of the second quarter, we implemented select pricing increases, pass-throughs of certain costs and annual subscription agreements in select markets. As expected, we experienced some slowing of the topline as our team was focused on process change, which will likely continue into the third quarter of 2023, but believe that with these changes, we are positioned to evolve to a healthier customer base supporting more durable revenue over time.

Reductions in Force

In light of the current macroeconomic environment, we have taken steps to manage the business accordingly. We implemented plans to reduce operating expenses, including previously announced headcount reductions:

Table of Contents

- on October 18, 2022 of 56 employees, or approximately 21% of our workforce at the time. We incurred cash charges of \$492 associated with the headcount reductions during the fourth quarter of 2022.
- on March 16, 2023 of approximately 40 employees, or approximately 21% of our workforce at the time. We incurred cash charges of \$754 associated with the headcount reductions during the first quarter of 2023.

We anticipate these and other changes we made to our cost structure in 2022 and 2023 will save a total of approximately \$24,000 in cash costs annually (beginning in the second quarter of 2023), now that all of the restructuring and other cost savings initiatives are fully implemented. These cost reductions are not expected to have a significant impact on the scope of our business. We will focus on maximizing efficiencies across all areas, investing in projects and products that we expect will result in the highest returns. By coupling cost savings with our strategic content shift, we believe Leafly will be better situated to become profitable in future periods.

Table of Contents

Key Metrics

In addition to the measures presented in our consolidated financial statements, our management regularly monitors certain metrics in the operation of our business:

Monthly Active Users

MAUs represents the total unique visitors to Leafly websites and native apps each month, which in turn is a top-of-the-funnel metric that represents the maximum potential unique visitors that could become customers a customer of dispensaries a dispensary or brands brand listed on Leafly's platform within a given month. Leafly's revenue model for dispensaries Leafly is reexamining its MAU metric and brands is based, expects to discontinue reporting it in part, its next quarterly filing as we continue to implement a content-shift to focus on compelling and engaging content that helps drive shopping behaviors farther down the number of visitors it can drive to dispensary or brand listings on the platform. Providing more visitors, as represented by MAUs, may lead to increased advertising rates for both dispensaries and brands.

Users (visitors) are considered active by initiating a session on at least one webpage or app. Each month's MAU tally represents the total number of unique visitors to Leafly during the specified month and includes both new visitors as well as those returning from the previous month. We count a unique user the first time an individual accesses one of our websites or native apps during a calendar month. If an individual accesses our websites using different web browsers within a given month, the first access by each such web browser is counted as a separate unique user. If an individual accesses more than one of our websites or native apps in a single month, the first access to each website or app is counted as a separate unique user since unique users are tracked separately for each domain and native app. The unique visitors are measured using Google Analytics for our web applications and Firebase for our native applications.

Due to third-party technological limitations, user software settings, or user behavior, Google Analytics may assign a unique cookie to different instances of access by the same individual to our websites. In such instances, Google Analytics would count different instances of access by the same individual as separate unique users. Accordingly, reliance on the number of

unique users counted by Google Analytics may overstate the actual number of unique users who access our websites during the period. Additionally, we cannot differentiate between a user who accesses Leafly across both the web and a native app, which could overstate the number of unique users.

A growing number of MAUs is indicative of our overall product health as it is the result of metrics reflecting both retention and acquisition of customers of our suppliers. While we consider MAUs to be a leading indicator of general product health representing the blend of new customer acquisition and the retention of returning customers, we also acknowledge that this must be paired with a deeper analysis of MAU behavioral metrics. We measure the quality of experience by looking at MAU cohorts engagement behaviors as measured by time-on-site, interaction with personalization features such as favoriting and following, and orders placed.

funnel.

Ending Retail Accounts

Ending retail accounts is the number of paying retailer accounts with Leafly as of the last month of the respective period. Retail accounts can include more than one retailer. This metric is helpful because it represents a portion of the volume element of our revenue and provides an indication of our market share.

Retailer Average Revenue Per Account ("ARPA")

Retailer ARPA is calculated as monthly retail revenue, on an account basis, divided by the number of retail accounts that were active during that same month. An active account is one that had an active paying subscription with Leafly in the month. Leafly does not provide retailers with an ongoing free subscription offering but may offer a free introductory period with certain subscriptions. This metric is helpful because it represents the price element of our revenue.

30

Table of Contents

Results of Operations

Key Metrics

The table below presents these measures for the respective periods:

Key Operating Metrics:	Three Months Ended March 31,				Three Months Ended June 30,			
	2023	2022	Change	Change (%)	2023	2022	Change	Change (%)

Average MAUs (in thousands) ¹	8,08 5	7,74 9	336	4%	7,37 4	7,88 5	(511)	-6%
Ending retail accounts ²	5,70 2	5,42 2	280	5 %	5,26 1	5,25 1	10	0 %
Retailer ARPA ³	\$ 553	\$ 576	\$ (23)	-4 %	\$ 558	\$ 579	\$ (21)	-4 %

	Six Months Ended June 30,			
	2023	2022	Change	Change (%)
Key Operating Metrics:				
Average MAUs (in thousands) ¹		7,729	7,817	(88) -1 %
Ending retail accounts ²		5,261	5,251	10 0 %
Retailer ARPA ³	\$ 555	\$ 577	\$ (22)	-4 %

1. Calculated as a simple average for the period presented.
2. Represents the amount outstanding on the last day of the month of the respective period.
3. Calculated as a simple average of monthly retailer ARPA for the period presented.

MAUs increased 4% decreased 6% and 1% for the three and six months ended March 31, 2023 June 30, 2023, respectively, compared to the same periods in 2022, due to an increase the optimization of our marketplace on Leafly's site (see "Content Shift" above). As noted above, Leafly is reexamining its MAU metric and expects to discontinue reporting it in news its next quarterly filing.

While we optimized our marketplace, we were impacted by the loss of multi-retailer and learn traffic. We continued to focus primarily on growing the number of retail partners on our platform, poorly performing accounts, which were more than offset by organic growth, leading to 5% 0% growth in year-over-year ending retail accounts. accounts for the three and six months ended June 30, 2023, compared to the same periods in 2022.

Declining pricing across some of Leafly's advertising products in major markets as compared to 2022 for platinum placement ads contributed to a 4% decline in ARPA for both the three and six months ended March 31, 2023 when June 30, 2023, compared to the same period periods in 2022. However, second quarter 2023 ARPA is up 1% compared to \$553 for the first quarter of 2023. Going forward, Leafly is focused on increasing ARPA supported by the second quarter 2023 pricing increases, the majority of which will be effective in the third quarter.

Revenue

We generate our revenue through the sale of online advertising and online order reservation enablement on the Leafly platform for suppliers in our Retail and Brands segments. Within our Retail segment, we monetize our multi-sided retail marketplace through monthly subscriptions that enable retailers to advertise to and acquire potential shoppers. Our solutions allow retailers, where legally permissible, to accept online orders from shoppers, who visit Leafly.com or use a

Leafly-powered online order reservation solution, including our iOS app. Within our Brands segment, our revenue is derived by creating custom advertising campaigns for both small and large brands that target Leafly's broad and diverse audience and offering brands profile listings on our platform, which are sold on a monthly recurring subscription or annual basis. Advertising opportunities include on-site digital display, native placements, email, branded content, and off-site audience

Table of Contents

extension. Leafly's advertising partners span a variety of verticals including hardware and accessories, THC-infused products, hemp, CBD, and seed.

	Three Months Ended March 31,				Three Months Ended June 30,			
	2023	2022	Change (\$)	Change (%)	2023	2022	Change (\$)	Change (%)
Revenue:								
Retail	\$ 9,470	\$ 9,179	\$ 291	3 %	\$ 8,840	\$ 9,065	\$ (225)	-2 %
Brands	1,779	2,241	(462)	-21 %	1,835	2,985	(1,150)	-39 %
Total revenue	\$ 11,249	\$ 11,420	\$ (171)	-1 %	\$ 10,675	\$ 12,050	\$ (1,375)	-11 %

	Six Months Ended June 30,			
	2023	2022	Change (\$)	Change (%)
Revenue:				
Retail	\$ 18,310	\$ 18,244	\$ 66	0 %
Brands	3,614	5,226	(1,612)	-31 %
Total revenue	\$ 21,924	\$ 23,470	\$ (1,546)	-7 %

Retail

Retail subscriptions revenue from decreased \$312, partially offset by an increase in digital media display ads and subscriptions revenue increased \$491 and decreased \$208, respectively, contributing to other revenues of \$69, accounting for a significant portion of the overall increase/decrease in retail revenue for the three months ended March 31, 2023/June 30, 2023. Digital media display ads revenue growth was driven by due to increased volumes of display ads sold. For the three months ended March 31, 2023/June 30, 2023, the decrease in retail subscription revenue was primarily driven by due to

customer churn. Our overall growth strategy contributed to a 5% increase in churn and marketplace dynamics in the number of ending retail accounts. selected states.

31

Table Retail subscriptions revenue decreased \$520, more than offset by an increase in digital display ads and other revenues of Contents

Ending \$569, driving a slight increase in retail account revenue for the six months ended June 30, 2023. Digital media display ads revenue growth was caused by increased volumes of display ads sold. For the six months ended June 30, 2023, the decrease in retail subscription revenue was primarily due to customer churn and marketplace dynamics which more than offset growth in 2023 reflects favorable impacts from several developing market states (typically at a lower ARPA) as well as a strategic pricing decision to attract a greater number of local retailers onto our platform. Both of these drivers contributed to a 4% decrease in ARPA for the three months ended March 31, 2023. new markets.

Brands

Macro challenges have put overall pressure on the cannabis industry, particularly in our brand advertising business. For Second quarter 2023 Brands revenue increased 3% over the first quarter's revenue of \$1,779. However, for the three months ended March 31, 2023, June 30, 2023 as compared to the same period in 2022, Brands revenue decreased \$462, \$1,131, mostly in Canada, due primarily to:

- direct-to-consumer marketing revenue decrease of \$233; \$330;
- reduction in display ads of \$163; \$331; and
- branded content decrease of \$80. \$380.

For the six months ended June 30, 2023, Brands revenue decreased \$1,593, mostly in Canada, due primarily to:

- direct-to-consumer marketing revenue decrease of \$562;
- reduction in display ads of \$494; and
- branded content decrease of \$399.

The Company's current systems do not allow us to precisely quantify changes in Brands revenue attributable to price and volume. The information we have from our existing systems, combined with our knowledge of changes in list prices, informs

32

Table of Contents

the discussion of Brands volume and pricing that follows. We believe Brands revenue declined due to decreased volume and reduced advertising spend per ad from our clients.

Cost of Revenue

Three Months Ended June 30,			
2023	2022	Change (\$)	Change (%)

Cost of sales:							
Retail		\$ 977	\$ 990	\$ (13)			-1 %
Brands		261	451	(190)			-42 %
Total cost of sales		<u>\$ 1,238</u>	<u>\$ 1,441</u>	<u>\$ (203)</u>			-14 %

Cost of sales:	Three Months Ended March 31,				Six Months Ended June 30,			
	2023	2022	Change (\$)	Change (%)	2023	2022	Change (\$)	Change (%)
	_____	_____	_____	_____	_____	_____	_____	_____
Retail	\$ 1,080	\$ 1,040	\$ 40	4 %	\$ 2,056	\$ 2,030	\$ 26	1 %
Brands	266	415	(149)	-36 %	528	866	(338)	-39 %
Total cost of sales	\$ 1,346	\$ 1,455	\$ (109)	-7 %	\$ 2,584	\$ 2,896	\$ (312)	-11 %

32 33

[Table of Contents](#)

Retail

Retail For the three months ended June 30, 2023, retail cost of revenue decreased due to a reduction in headcount costs of \$67 partially offset by increased website infrastructure costs of \$7 and a \$46 increase in business platform and merchant processing costs.

For the six months ended June 30, 2023, retail cost of revenue increased due primarily to \$107 \$152 increase in business platform and merchant processing costs for the period ended March 31, 2023, partially offset by reductions in increased website infrastructure costs of \$37 \$29 and headcount costs of \$30. \$98.

Brands

Brands cost of revenue decreased for the three months ended March 31, 2023 June 30, 2023, primarily reflecting a decrease of \$100 \$71 in costs of display advertising and \$42 in merchant processing fees, corresponding to decreased associated revenue, and \$22 \$27 of lower website infrastructure costs, as described under Retail cost of revenue above, as these costs are shared

across both of our segments. Brands cost of revenue also decreased \$25 \$55 for the three months ended **March 31, 2023** **June 30, 2023**, due to reduced headcount costs.

Brands cost of revenue decreased for the six months ended June 30, 2023, primarily reflecting a decrease of \$171 in costs of display advertising and \$44 in merchant processing fees, corresponding to decreased associated revenue, and \$50 of lower website infrastructure costs, as described under Retail cost of revenue above, as these costs are shared across both of our segments. Brands cost of revenue also decreased \$79 for the six months ended June 30, 2023, due to reduced headcount costs.

Operating Expenses

Operating expenses declined significantly overall as we implemented the two reductions in force and cost reduction activities discussed above.

	Three Months Ended March 31,			
	2023	2022	Change (\$)	Change (%)
Operating expenses:				
Sales and marketing	\$ 4,911	\$ 7,014	\$ (2,103)	-30 %
Product development	3,280	3,465	(185)	-5 %
General and administrative	6,660	6,931	(271)	-4 %
Total operating expenses	<u>\$ 14,851</u>	<u>\$ 17,410</u>	<u>\$ (2,559)</u>	<u>-15 %</u>

	Three Months Ended June 30,			
	2023	2022	Change (\$)	Change (%)
Operating expenses:				
Sales and marketing	\$ 2,852	\$ 8,112	\$ (5,260)	-65 %
Product development	2,320	4,056	(1,736)	-43 %
General and administrative	5,016	7,310	(2,294)	-31 %
Total operating expenses	<u>\$ 10,188</u>	<u>\$ 19,478</u>	<u>\$ (9,290)</u>	<u>-48 %</u>
Six Months Ended June 30,				
	2023	2022	Change (\$)	Change (%)
Operating expenses:				
Sales and marketing	\$ 7,763	\$ 15,126	\$ (7,363)	-49 %
Product development	5,600	7,521	(1,921)	-26 %
General and administrative	11,676	14,241	(2,565)	-18 %
Total operating expenses	<u>\$ 25,039</u>	<u>\$ 36,888</u>	<u>\$ (11,849)</u>	<u>-32 %</u>

Sales and Marketing

Sales and marketing expenses declined beginning in the third quarter of 2022 as we began to implement the cost reduction activities described under "Significant Events" above. We reduced advertising and marketing spending by \$1,051 and employee compensation costs by \$751, when comparing the three months ended March 31, 2023 to the same period in 2022. The Company reduced its sales and marketing spend in response to slowing conditions, but believes it is still positioned to respond efficiently to growth opportunities.

Product development expenses also began to slow as we implemented cost reduction activities and reprioritized our development efforts. Professional services fees included within product development declined \$359 decreased \$5,260 for the three months ended March 31, 2023 largely related to the reduction in use of outsourced providers, partially offset by an increase in depreciation and amortization of \$163. Also within product development are headcount costs generally offset by capitalized product development costs in 2022. Headcount costs prior to capitalization decreased approximately \$237 for the three months ended March 31, 2023 when June 30, 2023 compared to the same period in 2022. 2022 due to:

- a \$2,768 decrease in compensation costs;
- a \$2,117 reduction in advertising and marketing spending;

34

Table of Contents

- a \$198 decline in professional services; and
- a \$176 reduction in other costs.

Sales and marketing expenses decreased \$7,363 for the six months ended June 30, 2023 compared to the same period in 2022 due to:

- a \$3,519 decrease in compensation costs;
- a \$3,168 reduction in advertising and marketing spending;
- a \$443 reduction in professional services; and
- a \$233 reduction in other costs.

Product Development

Product development expenses decreased \$1,736 for the three months ended June 30, 2023 compared to the same period in 2022 due to:

- a \$1,293 decrease in compensation costs (or \$1,697 excluding capitalized costs). Product development expense reported net of \$535 \$250 and \$758 \$658 of costs capitalized to internal-use software for the three months ended March 31, 2023 June 30, 2023 and 2022, respectively. See respectively;
- a \$516 reduction in professional services; and

Note 6 • a \$68 reduction in other costs; partially offset by:

- a \$141 increase in depreciation expense primarily related to our consolidated financial statements within this Quarter.

Report capitalized internal use software.

Product development expenses decreased \$1,921 for [more information](#), the six months ended June 30, 2023 compared to the same period in 2022 due to:

- a \$1,277 decrease in compensation costs (or \$1,904 excluding capitalized costs). Product development expense reported net of \$785 and \$1,415 of costs capitalized to internal-use software for the six months ended June 30, 2023 2022, respectively;
- a \$875 reduction in professional services; and
- a \$73 reduction in other costs; partially offset by:
- a \$304 increase in depreciation expense primarily related to capitalized internal use software.

General and Administrative

General and administrative expenses decreased ~~\$271~~ \$2,294 for the three months ended ~~March 31, 2023~~ June 30, 2023 compared to the same period in 2022 due to:

- a \$843 decrease in professional services primarily related to regulatory filings; and
- a \$574 reduction in insurance;
- a \$358 decrease in compensation costs; and
- a \$519 decline in other costs.

General and administrative expenses decreased \$2,565 for the six months ended June 30, 2023 compared to the same period in 2022 due to:

- a ~~\$1,640~~ \$1,998 decrease in compensation costs, including a ~~\$1,398~~ \$1,395 decrease in stock-based compensation expense, which was attributable to the modification of awards in the first quarter of 2022 ([Note 14](#));
- a ~~\$154~~ \$612 reduction in insurance;
- a \$556 decline in other costs including lower facilities and insurance costs;

35

Table of Contents

- a \$169 decrease in professional services; partially offset by:
- an ~~\$849~~ a \$770 increase in bad debts expense due to net recoveries in the prior year period; and period.
- a \$674 increase in professional services primarily related to audit and consulting fees.

33

Table of Contents

Other Income and Expense

Three Months Ended March 31,	Three Months Ended June 30,
------------------------------	-----------------------------

	2023	2022	Change (\$)	Change (%) ¹	2023	2022	Change (\$)	Change (%) ¹
Other income (expense):								
Interest expense, net	\$ (71) 3	\$ (697)	\$ (16)	2%	\$ (72) 4	\$ (717)	\$ (7)	1%
Change in fair value of derivatives	267	(10,397)	10,664	nm	14	24,397	(24,383)	nm
Other expense, net	(3)	(837)	834	nm	25	(52)	77	nm
Total other income (expense)	\$ (44) 9	\$ (11,931)	\$ 11,482	nm	\$ (68) 5	\$ 23,628	\$ (24,313)	nm

	Six Months Ended June 30,			
	2023	2022	Change (\$)	Change (%) ¹
Other income (expense):				
Interest expense, net	\$ (1,437)	\$ (1,414)	\$ (23)	2%
Change in fair value of derivatives	281	14,000	(13,719)	nm
Other expense, net	22	(889)	911	nm
Total other income (expense)	\$ (1,134)	\$ 11,697	\$ (12,831)	nm

1. An "nm" reference means the percentage is not meaningful.

Interest expense for the three and six months ended **March 31, 2023** **June 30, 2023** was similar to that of the same period in 2022.

The change in fair value of derivatives for the three and six months ended **June 30, 2023** is due to the recognition of derivatives in connection with the Business Combination and changes in their valuations, which were primarily driven by the decline in Leafly's stock price between **during the two** 2022 periods. See [Note 18](#) to our consolidated financial statements within this Quarterly Report for details on the valuations and the fair value changes in the periods presented.

Other expense, net decreased for the **three** six months ended **March 31, 2023** **June 30, 2023** due primarily to \$874 of costs incurred in connection with the Business Combination during 2022, which were allocated upon closing of the Business Combination to newly issued derivative liabilities that are recorded at fair value on a recurring basis. See [Note 1](#) to our consolidated financial statements within this Quarterly Report for information on allocation of these costs.

Non-GAAP Financial Measures

Earnings Before Interest, Taxes and Depreciation and Amortization (EBITDA) and Adjusted EBITDA

To provide investors with additional information regarding our financial results, we have disclosed EBITDA and Adjusted EBITDA, both of which are non-GAAP financial measures that we calculate as net loss (loss) income before interest, taxes and depreciation and amortization expense in the case of EBITDA and further adjusted to exclude non-cash, unusual and/or infrequent costs in the case of Adjusted EBITDA. Below we have provided a reconciliation of net loss (loss) income (the most directly comparable GAAP financial measure) to EBITDA and from EBITDA to Adjusted EBITDA.

We present EBITDA and Adjusted EBITDA because these metrics are a key measure used by our management to evaluate our operating performance, generate future operating plans, and make strategic decisions regarding the allocation of investment capacity. Accordingly, we believe that EBITDA and Adjusted EBITDA provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management.

36

Table of Contents

EBITDA and Adjusted EBITDA have limitations as an analytical tool, and you should not consider these in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are as follows:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have been replaced in the future, and both EBITDA and Adjusted EBITDA do not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs; and
- EBITDA and Adjusted EBITDA do not reflect interest or tax payments that may represent a reduction in cash available to us.

Because of these limitations, you should consider EBITDA and Adjusted EBITDA alongside other financial performance measures, including net loss (loss) income and our other GAAP results.

34

Table of Contents

A reconciliation of net loss (loss) income to non-GAAP EBITDA and Adjusted EBITDA follows:

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022	2023	2022
	Net loss	\$ (5,397)	\$ (19,376)			

Net (loss) income		\$ (1,436)	\$ 14,759	\$ (6,833)	\$ (4,617)
Interest expense, net	713	697	724	717	1,437
Depreciation and amortization expense	195	52	226	97	421
EBITDA	(4,489)	(18,627)	(486)	15,573	(4,975)
Stock-based compensation	658	1,924	580	464	1,238
Transaction expenses allocated to derivatives	—	874	—	—	—
Severance costs	754	—	—	—	754
Change in fair value of derivatives	(267)	10,397	(14)	(24,397)	(281)
Adjusted EBITDA	\$ (3,344)	\$ (5,432)	\$ 80	\$ (8,360)	\$ (3,264)
					\$ (13,792)

The decrease in EBITDA loss for the three and six months ended June 30, 2023 versus the same periods in 2022 is primarily due to the change in fair value of the derivatives for the three months ended March 31, 2023 versus the same period in 2022 as well as the a result of the cost saving measures described above. decline in Leafly's stock price. See [Note 18](#) to our consolidated financial statements within this Quarterly Report for more information regarding the fair value of derivatives. The decrease increase in our loss on an Adjusted EBITDA basis is primarily due for the three and six months ended June 30, 2023 versus the same periods in 2022 relates to decreased operating expenses as a result of the cost saving savings related to Leafly's reductions in force and cost cutting measures discussed described above.

Financial Condition

Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents, and restricted cash totaled \$15,563 \$14,729 and \$25,202 as of March 31, 2023 June 30, 2023 and December 31, 2022, respectively. Explanations of our cash flows for the periods presented follow.

Cash Flows

First Quarter Half 2023

During the first quarter half of 2023, the Company utilized a total of \$9,639 \$10,473 of cash, primarily to fund cash operating losses of approximately \$3,947, \$3,772, to fund changes in current assets and liabilities of \$5,269 \$6,038 and for capitalized software costs of \$535, \$788. The changes in current assets and liabilities during the three six months ended March 31, 2023 June 30, 2023 included primarily reductions in accrued expenses of \$1,565 \$2,399 primarily related to the payment of 2022 bonuses and accrued interest as well as increases the change in accounts receivable of \$1,701 and prepaid expenses and other current assets of \$2,460 \$1,334 related to the payment of directors

Table of Contents

and officers insurance. Of the \$10,473 of cash used in the first half of 2023, only \$834 was expended during the second quarter, reflecting our concerted efforts to become cash flow positive.

First Quarter Half 2023 Compared to First Quarter Half 2022

As compared to the three six months ended March 31, 2022 June 30, 2022, cash used in operations decreased by \$4,789 \$8,573 to \$9,216 \$9,807 for the three six months ended March 31, 2023 June 30, 2023, mainly due to decreased net loss from operations. operations as a result of the reductions in force and the cost cutting measures employed in 2022 and 2023. See discussion discussions under “—Significant Events” and “— Results of Operations” above for more information. Cash used in investing activities decreased \$253 \$627 to a use of \$535 \$788 primarily due to lower software capitalization in the current year. Cash and restricted cash provided by financing decreased \$58,599 \$58,244 over this same period to \$112 \$122 for the three six months ended March 31, 2023 June 30, 2023, mainly primarily due to proceeds from the convertible promissory notes and the Merger in 2022. See Notes 1, 12, and 13 to our consolidated financial statements within this Quarterly Report for more information.

Deferred Revenue

Deferred revenue is primarily related to software subscriptions and display ads. The revenue deferred at March 31, 2023 June 30, 2023 is expected to be recognized in the subsequent 12-month period. See [Note 9](#) to our consolidated financial statements within this Quarterly Report for further discussion.

Table of Contents

Contractual Obligations and Other Planned Uses of Capital

We are obligated to repay any convertible notes that do not ultimately convert to equity, as well as the other operating liabilities on our Consolidated Balance Sheets, such as accrued liabilities.

Liquidity and Capital Resources

Leafly has incurred operating losses since its inception and had an accumulated deficit of \$70,097 \$71,533 and \$64,700 at March 31, 2023 June 30, 2023 and December 31, 2022, respectively.

Under the rules of ASC Subtopic 205-40 “Presentation of Financial Statements — Going Concern” (“ASC 205-40”), reporting companies are required to evaluate whether conditions and/or events raise substantial doubt about their ability to meet their future financial obligations as they become due within one year after the date that the financial statements are issued. This evaluation takes into account a company’s current available cash and projected cash needs over the one-year evaluation

period but may not consider things beyond its control. As noted above, we have experienced revenue declines, incurred recurring operating losses, used cash from operations, and relied on the capital raised in the Business Combination to continue ongoing operations. These conditions, when considered in the aggregate, raise substantial doubt about our ability to continue as a going concern within one year of the date ~~these~~ the financial statements included in this Quarterly Report are issued.

- During the fourth quarter of the year ended December 31, 2022, we implemented a restructuring plan, including a reduction in force of approximately 56 persons and other cost cutting measures, with an estimated expected annual cash savings of approximately \$16,000 beginning in 2023. These cost-cutting measures are expected to allow the Company to prioritize growth opportunities, realign its expense structure, and preserve capital while strengthening its financial position. The cash cost for this initiative was \$492 reflecting primarily one-time severance and other employment related termination benefits incurred during the fourth quarter of 2022.
- On March 16, 2023, we announced a second restructuring plan further reducing recurring costs and identifying savings that we expect to result in an estimated annual cash savings of an additional \$8,000 based on ~~an estimated~~ reduction of an additional 40 personnel at a cash cost of \$754 recognized in the first quarter of 2023.

After considering all available evidence, we determined that, based on both of our cost reduction measures, our current positive working capital ~~of \$14,436 as of June 30, 2023~~ will be sufficient to meet our capital requirements for a period of at least twelve months from the date that our ~~March 31, 2023~~ ~~June 30, 2023~~ financial statements are issued. We believe our restructuring plans

38

Table of Contents

alleviate the substantial doubt about our ability to continue as a going concern within one year of the date ~~these~~ financial statements are issued. Management will continue to evaluate our liquidity and capital resources.

Upon the closing of the Business Combination, Leafly issued the 2022 Notes, which provided incremental funding for our operations. [Note 11](#) to our consolidated financial statements within this Quarterly Report provides additional information regarding the 2022 Notes.

We believe that our capital resources are sufficient to fund our operations for at least the following 12 months.

Nasdaq Notifications of Noncompliance

On October 28, 2022, we received a notice from the Nasdaq ~~staff~~ ~~Staff~~ informing us that Leafly was not in compliance with the \$50 million minimum market value requirement for continued listing on the Nasdaq Global Market ("Global Market") and that we had until April 26, 2023 to regain compliance. On April 19, 2023, Nasdaq approved ~~the Company's~~ ~~our~~ application to transfer the listing of ~~its~~ Leafly's common stock and warrants from the Nasdaq Global Market to The Nasdaq Capital Market ("Capital Market"), effective April 21, 2023. The Company complies with the net income from continuing operations listing standard of the Capital Market, and the transfer of the listing ~~resolves~~ ~~resolved~~ the October 28, 2022 noncompliance notification.

On November 2, 2022, we received another letter from the Nasdaq staff informing Staff notifying us that, Leafly was not in compliance with for 30 consecutive business days, the Nasdaq's bid price of Leafly's common stock had closed below the \$1.00 per share minimum bid price requirement for continued inclusion on Nasdaq under Nasdaq Listing Rule 5450(a)(1) ("Bid Price Rule" Requirement") and that we had until May 1, 2023 to regain compliance. To regain compliance, the closing bid price of Leafly's common stock must have been \$1.00 or more per share for a minimum of ten consecutive business days at any time before May 1, 2023. We were unable to regain compliance with

Table of Contents

the Bid Price Rule Requirement by May 1, 2023, and on May 2, 2023, we received a letter from Nasdaq notifying us that our Leafly's common stock would be subject to delisting from Nasdaq unless we timely requested a hearing before a Nasdaq Hearings Listing Panel (the "Panel" "Panel"). The Panel has the discretion to grant up to an additional 180 calendar days from May 2, 2023, to give us time to regain compliance with the Bid Price Rule. On May 8, 2023, we timely requested a hearing before the Panel, and will present on May 11, 2023, we submitted a detailed action plan of compliance and requested an extension of time to comply regain compliance with the Bid Price Rule by effecting Requirement (the "Request"). On May 23, 2023, we received a letter from the Panel confirming that our Request was granted and that we have until October 17, 2023 to effect a reverse stock split if necessary, and request until October 30, 2023 to regain compliance with the Bid Price Requirement, subject to meeting certain milestones including obtaining stockholder approval of the reverse stock split on or before July 12, 2023. On July 12, 2023, at our 2023 Annual Meeting of Stockholders, our stockholders approved a further extension of time (the "Request"). We understand that the Panel routinely grants additional time for a company proposal to cure a bid price deficiency when the compliance plan demonstrates, like we expect our plan will, that the company will cure a bid price issue through effect a reverse stock split of the outstanding shares of Leafly's common stock by a ratio of not less than 1 for 10 and not more than 1 for 25 at any time prior to Leafly's 2024 Annual Meeting of Stockholders, with the exact ratio to be set by the Board in the future, if at all, within 180-days the above range in its sole discretion, without further approval or authorization of a delisting notice. The Request stayed any further action by our stockholders.

During the remainder of the approved extension from Nasdaq, we expect that Leafly's common stock and while the hearings process is pending, it is expected that the Common Stock warrants will continue to be listed and traded on Nasdaq.

As part of the Company's plan Nasdaq; however, if we are unable to effect a reverse stock split by October 17, 2023 or regain compliance with the Bid Price Rule within 180 days of May 2, 2023 Requirement by October 30, 2023, the Company intends Nasdaq has informed us that Leafly's common stock will be subject to seek stockholder approval of an amendment immediate delisting. We believe we are taking prudent steps to the Company's Second Amended and Restated Certificate of Incorporation to effect ultimately be successful in effecting a reverse stock split (the "Reverse Split Proposal") at the upcoming Annual Meeting of stockholders. The Company expects to file preliminary proxy materials on May 15, 2023, with respect to the Annual Meeting of stockholders, including the approval of the Reverse Split Proposal.

The Company believes it is taking prudent steps to be successful in the Panel hearing and with its Reverse Split Proposal and that it will ultimately be successful in regaining compliance with the Bid Price Rule Requirement. However, there can be no assurances that any of these efforts will be successful, and if the Company is we are unable to regain compliance with the Bid Price Rule, the Common Stock Requirement, Leafly's common stock and warrants would be subject to delisting from Nasdaq. See *Part II, Item 1A Risk Factors in this Quarterly Report under the heading*— Our shares of common stock are listed on Nasdaq, but we cannot guarantee that we will be able to satisfy the applicable listing standards going forward.”

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of March 31, 2023 June 30, 2023.

Contractual Obligations

39

Table of Contents

Other than our 2022 Notes (see [Note 11](#) to our consolidated financial statements), we do not have any long-term debt, lease obligations or other long-term liabilities. We have entered into several multi-year licensing and administration agreements in the ordinary course of business, the cost of which are reflected within general and administrative expense within our statements of operations as costs are incurred.

Critical Accounting Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and income and expenses during the periods reported. Actual results could materially differ from those estimates.

We believe there have been no material changes to the items that we disclosed as our critical accounting estimates under Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in our 2022 Annual Report.

Recently Issued and Adopted Accounting Pronouncements

Reference is made to [Note 2](#) for information about recently issued accounting pronouncements.

37

Table of Contents

Table of Contents

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Leafly is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information otherwise required with respect to market risk.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The term "disclosure controls and procedures," as defined in Rules 13a-15 and 15d-15 under the Exchange Act refers to controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Because there are inherent limitations in all control systems, a control system, no matter how well conceived and operated, can provide only reasonable, as opposed to absolute, assurance that the objectives of the control system are met. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness

of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, at the reasonable assurance level, as of the end of the period covered by this Quarterly Report.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(d) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the three months ended **March 31, 2023** **June 30, 2023**.

3941

Table of Contents

Part II - Other Information

Item 1. LEGAL PROCEEDINGS.

We are involved in legal and administrative proceedings and litigation arising in the ordinary course of business. We believe that the potential liability, if any, in excess of amounts already accrued from all proceedings, claims and litigation will not have a material effect on our financial position, cash flows or results of operations when resolved in a future period. There have been no material developments to the legal proceedings reported in the 2022 Annual Report.

Item 1A. RISK FACTORS.

Risk factors that affect our business and financial results are discussed in Part I, Item 1A of our 2022 Annual Report, Report and in Part II, Item 1A of our Q1 2023 10-Q. As of the date of this report, other than as set forth below, we are not aware of any material changes in our risk factors from the risk factors disclosed in our 2022 Annual Report, Report or in our Q1 2023 10-Q. You should carefully consider the risks and uncertainties described herein and in our 2022 Annual Report and Q1 2023 10-Q, which have the potential to affect our business, financial condition, results of operations, cash flows or prospects in a material and adverse manner. The risks described herein and in our 2022 Annual Report and Q1 2023 10-Q are not the only risks we face, as there are additional risks and uncertainties not currently known to us or that we currently deem to be immaterial which may in the future adversely affect our business, financial condition and/or operating results.

Our shares of common stock are listed on Nasdaq, but we cannot guarantee that we will be able to satisfy the applicable listing standards going forward.

Nasdaq requires listed companies to comply with certain standards to remain listed. On November 2, 2022, Leafly we received a letter from the Nasdaq staff indicating Staff notifying us that based on the closing bid price of Leafly's common stock for 30 consecutive business days, Leafly no longer met the requirement to maintain a minimum bid price of \$1.00 per share under Nasdaq Listing Rule 5450(a)(1) (the "Bid Price Rule"). In accordance with Nasdaq Listing Rule 5810(c)(3)(A), Leafly was provided 180 calendar days, or until May 1, 2023, to regain compliance with we did not meet the Bid Price Rule. Requirement. To regain compliance, the closing bid price of Leafly's common stock must have been \$1.00 or more per share for a minimum of ten consecutive business days at any time before May 1, 2023.

Leafly was We were unable to regain compliance with the Bid Price Rule Requirement by May 1, 2023, and was not eligible under the applicable Nasdaq listing rules for a second 180 calendar day compliance period. Accordingly, on May 2, 2023, we received a letter from Nasdaq notifying it us that Leafly's common stock would be subject to delisting from Nasdaq unless we timely requested a hearing before the Panel. The Panel has the discretion to grant Leafly up to an additional 180 calendar days from May 2, 2023, to regain compliance with the Bid Price Rule.

On May 8, 2023, we timely requested a hearing before the Panel, and will present on May 11, 2023, we submitted a detailed action plan of compliance and the Request. On May 23, 2023, we received a letter from the Panel confirming that our Request was granted and that we have until October 17, 2023 to comply effect a reverse stock split and until October 30, 2023 to regain compliance with the Bid Price Rule by effecting Requirement, subject to meeting certain milestones including obtaining stockholder approval of the reverse stock split on or before July 12, 2023. On July 12, 2023, at our 2023 Annual Meeting of Stockholders, our stockholders approved a proposal to effect a reverse stock split if necessary, of the outstanding shares of Leafly's common stock by a ratio of not less than 1 for 10 and request a not more than 1 for 25 at any time prior to Leafly's 2024 Annual Meeting of Stockholders, with the exact ratio to be set by the Board within the above range in its sole discretion, without further approval or authorization of our stockholders.

During the remainder of the approved extension of time (the "Request"). We understand that the Panel routinely grants additional time for a company to cure a bid price deficiency when the compliance plan demonstrates, like from Nasdaq, we expect our plan will, that the company will cure a bid price issue through a reverse stock split within 180-days of a delisting notice. The Request stayed any further action by Nasdaq, and while the hearings process is pending, it is expected that our Leafly's common stock and warrants will continue to be listed and traded on Nasdaq.

As part of our plan Nasdaq; however, if we are unable to effect a reverse stock split by October 17, 2023 or regain compliance with the Bid Price Rule within 180 days of May 2, 2023 Requirement by October 30, 2023, Leafly intends Nasdaq has informed us that Leafly's common stock will be subject to seek stockholder approval of an amendment to its Second Amended and Restated Certificate of Incorporation to effect a reverse stock split (the "Reverse Split Proposal") at the upcoming Annual Meeting of stockholders. Leafly expects to file preliminary proxy materials on May 15, 2023, with respect to the Annual Meeting of stockholders, including the approval of the Reverse Split Proposal. immediate delisting.

We believe we are taking prudent steps to be successful in the Panel hearing and with our Reverse Split Proposal and that we will ultimately be successful in effecting a reverse stock split and regaining compliance with the Bid Price Rule.

Requirement. However, there can be no assurances that any of these efforts will be successful, and if we are unable to regain compliance with the Bid Price Rule, Requirement, our common stock and warrants would be subject to delisting from

Nasdaq. Delisting from the Nasdaq Capital Market could make trading our common stock more difficult for investors, potentially leading to declines in

40

Table of Contents

our share price and liquidity. In addition, without a Nasdaq market listing, stockholders may have a difficult time getting a quote for the sale or purchase of our stock, the sale or purchase of our stock would likely be made more difficult and the trading volume of our stock could decline. Delisting from Nasdaq could also result in negative publicity and make it more difficult for us to raise additional capital. The absence of such a listing may adversely affect the acceptance of our common stock as transaction consideration or the value accorded our common stock by other parties.

42

Table of Contents

Further, if we are delisted, we would also incur additional costs under state blue sky laws in connection with any sales of our securities. These requirements could severely limit the market liquidity of our common stock and the ability of our stockholders to sell our common stock in the secondary market. We cannot assure you that our common stock and/or warrants, if delisted from Nasdaq, will be listed on another securities exchange or quoted on an over-the counter quotation system. If our common stock is delisted, it may come within the definition of "penny stock" as defined in the Exchange Act and would be covered by Rule 15g-9 of the Exchange Act. That Rule imposes additional sales practice requirements on broker-dealers who sell securities to persons other than established customers and accredited investors.

There are significant risks associated with effecting a reverse stock split.

The principal purpose of effecting the reverse stock split approved by our stockholders is to increase the trading price of our common stock to meet the Bid Price Requirement and remain listed on the Capital Market. However, the long-term effect of a reverse stock split on the market price of our common stock cannot be predicted with any certainty, and we cannot assure you that a reverse stock split will accomplish this objective for any meaningful period of time, or at all. While we expect that the reduction in the number of outstanding shares of common stock will proportionally increase the market price of our common stock, we cannot assure you that a reverse stock split will increase the market price of our common stock by a multiple of the reverse stock split ratio, or result in any permanent or sustained increase in the market price of our common stock. The market price of our common stock may be affected by other factors which may be unrelated to the number of shares outstanding, including the Company's business and financial performance, general market conditions, and prospects for future success.

If effected, a reverse stock split will reduce the total number of outstanding shares of our common stock, which may lead to reduced trading and a smaller number of market makers for our common stock, particularly if the price per share of our common stock does not increase as a result of the reverse stock split. If a reverse stock split is effected, it will increase the

number of stockholders who own "odd lots" of less than 100 shares of common stock. A purchase or sale of less than 100 shares of common stock (an "odd lot" transaction) may result in incrementally higher trading costs through certain brokers, particularly "full service" brokers. Therefore, those stockholders who own fewer than 100 shares of common stock following a reverse stock split may be required to pay higher transaction costs if they sell their common stock. A reverse stock split may be viewed negatively by the market and, consequently, could lead to a decrease in our overall market capitalization. If the per share market price of our common stock does not increase in proportion to the reverse stock split ratio, or following such increase does not maintain or exceed such price, then the value of our Company, as measured by our market capitalization, will be reduced. Additionally, any reduction in our market capitalization may be magnified as a result of the smaller number of total shares of common stock outstanding following the reverse stock split.

Our payment system and the payment systems of our suppliers depend on third-party providers and are subject to evolving laws and regulations.

We have engaged third-party service providers to perform credit and debit card processing services for suppliers' payments to us. If these service providers do not perform adequately or if our relationships with these service providers were to terminate, our ability to process payments could be adversely affected and our business could be harmed. Additionally, some of our suppliers use similar third-party providers for processing services. If these service providers do not perform adequately or if the relationships of our suppliers with these service providers were to terminate, the ability of our suppliers to process payments could be adversely affected and our business could be harmed. The laws and regulations related to payments are complex and are potentially affected by tensions between federal and state treatment of the cannabis and other industries. These laws and regulations also vary across different jurisdictions in the United States, Canada and globally. As a result, we are required to spend significant time and effort to comply with those laws and regulations. Any failure or claim of our failure to comply, or any failure by our third-party service providers to comply, could cost us substantial resources, could result in liabilities, or could force us to stop offering our suppliers the ability to pay with credit cards, debit cards and bank transfers. As we expand the availability of these payment methods or offer new payment methods to our suppliers in the future, we may become subject to additional regulations and compliance requirements.

Table of Contents

Due to the constantly evolving and complex laws and regulations applicable to our industry, third-party merchant banks and third-party payment processors may consider our business a high risk. This could cause a third party to discontinue its services to us, and we may not be able to find a suitable replacement. If this were to occur, we would need to collect from our suppliers using less efficient methods, which could adversely impact our collections, revenues and financial performance. Additionally, if a third party were to discontinue its services to us or if the applicable laws and regulations were to evolve in a way that impacted us negatively, we may not be able to realize our plans of expanding our business offerings, which could have a material adverse effect on our operations and our plans for expansion.

Moreover, Visa and Mastercard reportedly prohibit processing of transactions involving cannabis on their networks. In July 2023, Mastercard instructed financial institutions and payment processors that they must stop permitting cannabis transactions on its debit cards. Although U.S. consumers cannot purchase products on our listings marketplace and we do not currently use, nor have we historically used, any of our merchant processing relationships to process payments for cannabis transactions, to the extent Visa or Mastercard restrict cannabis-related transactions, our merchant processing relationships could be terminated, or we could be prevented from processing any Visa or Mastercard transactions, which could have a material adverse effect on our business and results of operations.

Further, through our agreement with our third-party credit card processors, we are subject to payment card association operating rules and certification requirements, including restrictions on product mix and the Payment Card Industry Data Security Standard ("PCI-DSS"). We are also subject to rules governing electronic funds transfers. Any change in these rules and requirements could make it difficult or impossible for us to comply. Additionally, any data breach or failure to hold certain information in accordance with PCI-DSS may have an adverse effect on our business and results of operations.

We are dependent on our banking relationships, and due to our connection with the cannabis industry, we may have difficulty accessing or consistently maintaining banking or other financial services.

Although we do not grow or sell cannabis products, our general connection with the cannabis industry may hamper our efforts to do business or establish collaborative relationships with others that may fear disruption or increased regulatory scrutiny of their own activities.

We are dependent on the banking industry to support the financial functions of our services and advertising solutions. Our business operating functions including payroll for our employees, real estate leases, and other expenses are reliant on traditional banking. Additionally, many of our suppliers pay us via wire transfer to our bank accounts, or via checks that we deposit into our bank accounts. We require access to banking services for both us and our suppliers to receive payments in a timely manner. Lastly, to the extent we rely on any lines of credit, these could be affected by our relationships with financial institutions and could be jeopardized if we lose access to a bank account. Important components of our offerings depend on supplier accounts and relationships, which in turn depend on banking functions. Most federal and federally-insured state banks currently do not serve businesses that grow and sell cannabis products on the stated ground that growing and selling cannabis is illegal under federal law, even though the Treasury Department's Financial Crimes Enforcement Network ("FinCEN") issued guidelines to banks in February 2014 that clarified how financial institutions can provide services to cannabis-related businesses, consistent with financial institutions' obligations under the Bank Secrecy Act. While the federal government has generally not initiated financial crimes prosecutions against state-law compliant cannabis companies or their vendors, the government has the ability to do so, at minimum against companies in the adult-use markets. The continued uncertainty surrounding financial transactions related to cannabis activities and the subsequent risks this uncertainty presents to financial institutions may result in their discontinuing services to the cannabis industry or limit their ability to provide services to the cannabis industry or ancillary businesses providing services to the cannabis industry.

As a result of federal-level illegality and the risk that providing services to state-licensed cannabis businesses poses to banks, cannabis-related businesses face difficulties accessing banks that will provide services to them. When cannabis businesses are able to find a bank that will provide services, they face extensive client due diligence in light of complex state regulatory requirements and guidance from FinCEN, and these reviews may be time-consuming and costly, potentially creating

additional barriers to financial services for, and imposing additional compliance requirements on, us and our suppliers. FinCEN requires a party in trade or business to file with the U.S. Internal Revenue Service (the "IRS"), a Form 8300 report

Table of Contents

within 15 days of receiving a cash payment of over \$10,000. While we receive very few cash payments for the products we sell, if we fail to comply with these laws and regulations, the imposition of a substantial penalty could have a material adverse effect on our business, results of operations and financial condition. We cannot ensure that our strategies and techniques for designing our platform features and services, including our advertising solutions, for our suppliers will operate effectively and efficiently and not be adversely impacted by any refusal or reluctance of banks to serve businesses that grow and sell cannabis products. A change in banking regulations or a change in the position of the banking industry that permits banks to serve businesses that grow and sell cannabis products may increase competition for us, facilitate new entrants into the industry offering platform features and services similar to those that we offer, or otherwise adversely affect our results of operations. Also, the inability of potential suppliers in our target market to open accounts and otherwise use the services of banks or other financial institutions may make it difficult for us to conduct business, including receiving payments in a timely manner.

We do not sell cannabis, or products that contain cannabis; accordingly, our company is not part of the cannabis industry that would be restricted from using federal and federally insured banks. However, because our revenue is generated largely from companies licensed as operators in the cannabis industry, banks have and may continue to consider us to be part of the cannabis industry that is subject to banking restrictions. If we were to lose any of our banking relationships or fail to secure additional banking relationships in the future, we could experience difficulty and incur increased costs in the administration of our business, paying our employees, and accepting payments from suppliers, each of which may adversely affect our reputation or results of operations. Additionally, the closure of many or one of our bank accounts due to a bank's reluctance to provide services to a business working with state-legal cannabis businesses would require significant management attention from us and could materially adversely affect our business and operations. In addition to banks and financial institutions, merchant processors may take a similar view of the risks of working with us since we provide services to cannabis businesses, and loss of any of our merchant processor relationships could have similar results. Moreover, Visa and Mastercard reportedly prohibit processing of transactions involving cannabis on their networks. In addition, in July 2023, Mastercard instructed financial institutions and payment processors that they must stop permitting cannabis transactions on its debit cards. Although U.S. consumers cannot purchase products on our listings marketplace and we do not currently use, nor have we historically used, any of our merchant processing relationships to process payments for cannabis transactions, to the extent Visa or Mastercard restrict cannabis-related transactions, our merchant processing relationships could be terminated, or we could be prevented from processing any Visa or Mastercard transactions, which could have a material adverse effect on our business and results of operations.

Item 6. EXHIBITS.

The following documents are included as exhibits to this Quarterly Report on Form 10-Q:

Incorporated by Reference						
Exhibit	Exhibit Description	Form	Period	Exhibit	Filing	Date
Number			Ending			
3.1	<u>Second Amended and Restated Certificate of Incorporation of Leafly Holdings, Inc., dated February 4, 2022</u>	10-K	12/31/21	3.1	3/31/22	
3.2	<u>Amended and Restated Bylaws of Leafly Holdings, Inc., dated February 4, 2022</u>	8-K	2/4/22	3.2	2/10/22	
31.1	* <u>Certification of Chief Executive Officer of Leafly pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>					
31.2	* <u>Certification of Chief Financial Officer of Leafly pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>					
32.1	* <u>Certifications of Chief Executive Officer and Chief Financial Officer of Leafly pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>					
101.INS	*** Inline XBRL Instance Document					
101.SCH	**** Inline XBRL Taxonomy Extension Schema Document					
101.CAL	**** Inline XBRL Taxonomy Extension Calculation Linkbase Document					
101.LAB	**** Inline XBRL Taxonomy Extension Label Linkbase Document					
101.PRE	**** Inline XBRL Taxonomy Extension Presentation Linkbase Document					

101.DEF **** Inline XBRL Taxonomy Extension Definition Linkbase Document

104 *** Cover Page Interactive Data File

Incorporated by Reference

Exhibit	Number	Exhibit Description	Form	Period	Filing
				Ending	Date
	10.1	Form of Restricted Stock Unit Award Agreement, 2021 Equity Incentive Plan, Employee			
	10.2	Form of Restricted Stock Unit Award Agreement, 2021 Equity Incentive Plan, Directors			
	10.3	Form of Performance Stock Unit Award Agreement, 2021 Equity Incentive Plan			
	31.1	Certification of Chief Executive Officer of Leafly pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			

41 45

[Table of Contents](#)

Incorporated by Reference

Exhibit	Number	Exhibit Description	Form	Period	Filing
				Ending	Date
	31.2	Certification of Chief Financial Officer of Leafly pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
	32.1	Certifications of Chief Executive Officer and Chief Financial Officer of Leafly pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
	101.INS	*** Inline XBRL Instance Document			
	101.SCH	**** Inline XBRL Taxonomy Extension Schema Document			

101.CAL	****	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	****	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	****	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	****	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	***	Cover Page Interactive Data File

* Filed herewith.

The XBRL Instance Document and Cover Page Interactive Data File do not appear in the Interactive Data File because
** their XBRL tags are embedded within the Inline XBRL document.

**** Submitted electronically herewith

+ Management contract or compensation plan or arrangement.

4246

Table of Contents

SIGNATURES

Pursuant to the requirements of Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on **May 12, 2023** **August 11, 2023**.

Leafly Holdings, Inc.

By: /s/ Yoko Miyashita

Yoko Miyashita

Chief Executive Officer

By: /s/ Suresh Krishnaswamy

Suresh Krishnaswamy

Form Employee RSU Award Agreement Ex. 10.1

Leafly Holdings, Inc.
2021 Equity Incentive Plan

Restricted Stock Unit Award Agreement

This Restricted Stock Unit Award Agreement (this “Agreement”) is made by and between Leafly Holdings, Inc., a corporation organized and existing under the laws of Delaware (the “Company”), and [□] (the “Participant”), effective as of _____, 202__ (the “Date of Grant”).

RECITALS

WHEREAS, the Company has adopted the Leafly Holdings, Inc. 2021 Equity Incentive Plan (as may be further amended, amended and restated or modified from time to time (the “Plan”), which is incorporated herein by reference and made a part of this Agreement. Capitalized terms not otherwise defined in this Agreement shall have the meanings ascribed to those terms in the Plan;

NOW THEREFORE, in consideration of the premises and mutual covenants set forth in this Agreement, the parties agree as follows:

1. Grant of Award. The Company hereby grants to the Participant, effective as of the Date of Grant, [□] restricted stock units (“RSUs”), on the terms and conditions set forth in the Plan and this Agreement.
2. Vesting and Settlement of RSUs.
 - (a) General. Subject to the terms and conditions set forth in the Plan and this Agreement, the RSUs shall vest [□] (each, a “Vesting Date”), subject to the Participant’s continued Service through the applicable Vesting Date.
 - (b) Settlement of Vested RSUs. The Company shall deliver to the Participant within sixty (60) days following a Vesting Date, a number of shares of Common Stock equal to the aggregate number of RSUs that have vested pursuant to Section 2(a) ([rounded down to the nearest whole RSU, with cumulative vesting of any fractional RSUs] and reduced by any shares of Common Stock sold or withheld to satisfy tax withholding requirements). No fractional shares of Common Stock shall be delivered. The Company may deliver such shares of Common Stock either through book entry

accounts held by, or in the name of, the Participant or cause to be issued a certificate or certificates representing the number of shares of Common Stock to be issued in respect of the RSUs, registered in the name of the Participant.

3. Termination of Service. Other than as provided in Section 11.3 of the Plan, upon a termination of the Participant's Service for any reason or no reason, any then unvested RSUs as of such termination date will be forfeited immediately, automatically and without consideration. The Participant will have no further rights, and the Company will have no further obligations to the Participant, with respect to such unvested, forfeited RSUs. The RSUs and the shares of Common Stock (and any resulting proceeds) will continue to be subject to Sections 12.2 (Termination for Cause) and 12.3 (Right of Recapture) of the Plan and Section 7(c) of this Agreement.

For purposes of this Agreement, termination of the Participant's Service will be considered to occur as of the date the Participant is no longer actively providing services to the Company, or, if different, the Subsidiary that employs the Participant or for which the Participant otherwise provides services (the "Service Recipient") (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or otherwise rendering services or the terms of the Participant's employment or service agreement, if any). Unless otherwise determined by the Committee, the Participant's right to vest in the RSUs, if any, will cease as of this date and will not be extended by any notice period (e.g., the Participant's period of Service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Participant is employed or otherwise providing services, or the terms of the Participant's employment or service agreement, if any). The Company will have the exclusive discretion to determine when the Participant is no longer actively providing services for purposes of the RSUs (including whether the Participant may still be considered to be actively providing services while on leave of absence).

4. Tax Withholding Requirements.

(a) The Participant is ultimately responsible for all taxes owed in connection with the RSUs (e.g., upon vesting and/or upon receipt of any shares of Common Stock thereunder), including any U.S. or non-U.S. federal, state or local taxes of any kind required by law, including income tax, social insurance, FICA, payroll tax, fringe benefits tax, payment on account and all other tax items related to the Participant's participation in the Plan and legally applicable to the Participant or deemed by the Company or the Service Recipient in its discretion to be an appropriate charge to the

Participant even if legally applicable to the Company or the Service Recipient (the "Tax Related Items"), regardless of any action the Company or any Subsidiary takes with respect to any such Tax-Related Items. The Company shall have the right to deduct or withhold from any shares of Common Stock deliverable under this Agreement, or in its discretion to require the Participant to remit to the Company, the amounts necessary to satisfy all of the Tax Related Items required to

be withheld in connection with the settlement of the RSUs. Notwithstanding the foregoing, the Participant authorizes the Company to facilitate open market sales of shares of Common Stock under the RSUs to generate proceeds to satisfy all required tax withholding obligations (which sales shall be made automatically on the Participant's behalf without further consent required of the Participant, and any proceeds received in connection therewith will be reduced by all applicable broker fees and commissions incurred in effecting such sales).

(b) The Participant agrees to make adequate arrangements satisfactory to the Company and/or a Subsidiary, as applicable, prior to any relevant taxable or tax withholding event, to satisfy any applicable tax withholding obligation related to Tax-Related Items. The Company has no obligation to issue shares pursuant to vested RSUs until the Participant has satisfied any tax withholding obligations related to the Tax-Related Items in a manner acceptable to the Company.

The Company may withhold or account for Tax-Related Items by considering statutory withholding rates or other applicable withholding rates, including maximum applicable rates in the Participant's jurisdiction(s). In the event of over-withholding, the Participant may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in Common Stock, or if not refunded, the Participant may seek a refund from the applicable tax authorities. In the event of under-withholding, the Participant may be required to pay additional Tax-Related Items directly to the applicable tax authorities or to the Company and/or the Subsidiary to whom the Participant provides services.

(c) The Participant acknowledges that the Company and any Subsidiary to whom the Participant provides services (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including but not limited to, the grant, the vesting, the issuance of shares of Common Stock upon vesting, the subsequent sale of the shares acquired pursuant to the RSUs, and (ii) do not control and are under no obligation to structure the terms of the grant or any aspect of the RSUs to reduce or eliminate the Participant's liability for Tax-Related Items or achieve a particular tax result. Further, the Participant acknowledges that if the Participant is subject to tax in more than one jurisdiction, the Company and/or a Subsidiary may be required to withhold or account for Tax-Related Items in more than one jurisdiction. By accepting

Award, the Participant agrees that the Participant will be deemed to have waived any claim against the Company with respect to any tax consequences related to the RSUs.

5. **Compliance with Securities Laws.** The Participant acknowledges, understands and agrees that:

- (a) the Participant has been furnished with a copy of the Plan and the Form S-8 plan summary for the Plan;
- (b) notwithstanding any other provision of this Agreement, shares of Common Stock will not be issued upon RSU vesting unless the shares issuable are registered under the Securities Act or, if such shares are not then so registered, the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. RSUs and the issuance of any shares of Common Stock thereunder also must comply with all other applicable laws and regulations governing the RSUs and the shares issued thereunder, including any U.S. and non-U.S. state, federal and local applicable laws, and the Participant will not receive shares if the Company determines that such receipt would not be in material compliance with such applicable laws and regulations;
- (c) the Participant understands that the Company is under no obligation to register or qualify the RSUs or the shares of Common Stock issuable upon vesting of the RSUs with the U.S. Securities Exchange Commission or any state or foreign securities commission (or maintain any such registration or qualification if made) or to seek approval or clearance from any governmental authority for the issuance or sale of such shares of Common Stock. The inability of the Company to obtain from any regulatory body having jurisdiction over such issuance and sale of any shares will relieve the Company of any liability in respect of such failure to issue or sell the shares as to which such requisite authority is not obtained. Further, the Participant agrees that the Company will have unilateral authority to amend the Plan and this Agreement without the Participant's consent to the extent necessary to comply with securities or other laws applicable to issuance of shares of Common Stock;
- (d) the Participant understands that the Company has no obligation to the Participant to maintain any registration of the shares of Common Stock with the U.S. Securities Exchange Commission and has not represented to the Participant that it will so maintain the registration of the shares of Common Stock. Sales of shares of Common Stock are subject to compliance with other laws and regulations, including, but not limited to, U.S. and non-U.S. securities, exchange control, insider trading and market abuse laws, and the Company's insider trading policy; and
- (e) if the Participant is deemed an affiliate within the meaning of Rule 144 under the Securities Exchange Act.

Act, the Participant understands that resales of shares of Common Stock under Rule 144 will not be available under current law unless (i) a public trading

market then exists for the shares of Common Stock, (ii) adequate information concerning the Company is then available to the public, and (iii) other terms and conditions of Rule 144 or any exemption therefrom are complied with, including that any sale of the shares of Common Stock may be made only in limited amounts in accordance with such terms and conditions.

6. Nature of Grant.

By accepting the Award, the Participant acknowledges, understands and agrees that:

- (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
- (b) the grant of RSUs is exceptional, voluntary and occasional and does not create a contractual or other right to receive future grants of RSUs, or benefits in lieu of RSUs, if RSUs have been granted in the past;
- (c) all decisions with respect to future RSU grants or other grants, if any, will be at the discretion of the Company;
- (d) the Participant is voluntarily participating in the Plan;
- (e) the RSUs and the Shares underlying the RSUs, and the income from and value of same, are not intended to replace any pension rights or compensation;
- (f) the RSUs and the Shares underlying the RSUs, and the income from and value of same, are not part of normal or expected compensation for purposes of, including but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, holiday pay, holiday top-up, pension, retirement or welfare benefits or similar mandatory payments;
- (g) the future value of the shares underlying the RSUs is unknown, indeterminable and cannot be predicted with certainty; and
- (h) no claim or entitlement to compensation or damages will arise from forfeiture of the RSUs resulting from (a) the Participant's termination of Service (for any reason whatsoever whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or providing services or the

terms of the Participant's employment or service agreement, if any) or (b) the application of Section 7(c) of this Agreement or any compensation recovery or clawback policies adopted by the Company.

7. Miscellaneous Provisions

- (a) Rights of a Stockholder. Prior to settlement of the RSUs in shares of Common Stock, neither the Participant nor the Participant's representatives will have any rights as a stockholder of the Company with respect to any shares of Common Stock underlying the RSUs, including the right to receive any dividends or dividend equivalents on the RSUs.
- (b) Transfer Restrictions. RSUs may not be sold, transferred, assigned, encumbered, pledged or otherwise disposed of, whether voluntarily or by operation of law, during the Participant's lifetime. The shares of Common Stock delivered hereunder shall be subject to such restrictions as the Committee may deem advisable under the Plan or the rules, regulations and other requirements of the U.S. Securities and Exchange Commission, NASDAQ or any stock exchange upon which such shares of Common Stock are listed, any applicable federal or state laws and any agreement with, or policy of, the Company or the Committee to which the Participant is a party or subject, and the Company may cause orders or designations to be placed upon the books and records of the Company's transfer agent to make appropriate reference to such restrictions.
- (c) Clawback Policy. The Participant acknowledges that the Participant is subject to the provisions of Section 12 (Forfeiture Events) and Section 14.6 (Trading Policy and Other Restrictions) of the Plan and any compensation recovery, "clawback" or similar policy adopted by the Company from time to time, including after the Date of Grant, that applies to the Participant and/or made applicable by law, including under the provisions of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules, regulations and requirements adopted thereunder by the U.S. Securities and Exchange Commission and/or any national securities exchange on which the Company's equity securities may be listed.
- (d) Adjustments. If there is any change with respect to the Company's outstanding shares of Common Stock contemplated by Section 4.5 of the Plan prior to delivery of shares under the RSUs, the RSUs may be adjusted in accordance with Section 4.5 of the Plan.
- (e) No Right to Continued Service. Nothing in this Agreement or the Plan confers upon

the Participant any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Subsidiary retaining the Participant) or of the Participant, which rights are hereby expressly reserved by each, to terminate their Service at any time and for any reason, with or without cause.

- (f) **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan or the Participant's acquisition or sale of shares of Common Stock underlying the RSUs. The Participant should consult with the Participant's own personal tax, legal and financial advisors regarding participation in the Plan before taking any action related to the Plan.
- (g) **Successors and Assigns.** The provisions of this Agreement will inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon the Participant, the Participant's executor, personal representative(s), distributees, administrator, permitted transferees, permitted assignees, beneficiaries, and legatee(s), as applicable, whether or not any such person will have become a party to this Agreement and have agreed in writing to be joined herein and be bound by the terms hereof.
- (h) **Severability.** The provisions of this Agreement are severable, and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, then the remaining provisions will nevertheless be binding and enforceable.
- (i) **Amendment.** Except as otherwise provided in the Plan and this Agreement, this Agreement will not be amended unless the amendment is agreed to in writing by both the Participant and the Company.
- (j) **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the RSUs and on any shares of Common Stock acquired under the Plan to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.
- (k) **No Waiver.** No waiver of any provision of this Agreement will be valid unless in writing and signed by the person against whom such waiver is sought to be enforced, nor

will failure to enforce any right hereunder constitute a continuing waiver of the same or a waiver of any other right hereunder.

- (l) Choice of Law; Jurisdiction. This Agreement and all claims, causes of action or proceedings (whether in contract, in tort, at law or otherwise) that may be based upon, arise out of or relate to this Agreement will be governed by the internal laws of the State of Delaware, excluding any conflicts or choice-of-law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.
- (m) Section 409A. The Company intends that the RSUs will be exempt from, or comply with, the requirements of Section 409A of the Code; provided, however, that the Company makes no representations that the RSUs will be exempt from or comply with Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to the RSUs.
- (n) Signature in Counterparts. This Agreement may be signed in counterparts, manually or electronically, each of which will be an original, with the same effect as if the signatures to each were upon the same instrument.
- (o) Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to any Awards granted under the Plan by electronic means or to request the Participant's consent to participate in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.
- (p) Acceptance. The Participant has read and understands the terms and provisions of the Plan and this Agreement and accepts the RSUs subject to all of the terms and conditions of the Plan and this Agreement. In the event of a conflict between any term or provision contained in this Agreement and a term or provision of the Plan, the applicable term and provision of the Plan will govern and prevail.

[Signature page follows.]

IN WITNESS WHEREOF, the Company and the Participant have executed this Restricted Stock Unit Award Agreement as of the Date of Grant. The Participant acknowledges that as of the Date of Grant, this Agreement and the Plan set forth the entire understanding between the Participant

and the Company and any Subsidiary regarding the RSUs and supersede all prior oral and written agreements on the subject.

PARTICIPANT LEAFLY HOLDINGS, INC.

By: _____

Date: _____ Date: _____

[Signature Page – RSU Award Agreement]

Form Director RSU Award Agreement Ex. 10.2

Leafly Holdings, Inc. 2021 Equity Incentive Plan

Restricted Stock Unit Award Agreement

This Restricted Stock Unit Award Agreement (this “Agreement”) is made by and between Leafly Holdings, Inc., a corporation organized and existing under the laws of Delaware (the “Company”) and [□] (the “Participant”), effective as of _____, 20__ (the “Date of Grant”).

RECITALS

WHEREAS, the Company has adopted the Leafly Holdings, Inc. 2021 Equity Incentive Plan (as may be further amended, amended and restated or modified from time to time (the “Plan”), which is incorporated herein by reference and made a part of this Agreement. Capitalized terms not otherwise defined in this Agreement shall have the meanings ascribed to those terms in the Plan;

NOW THEREFORE, in consideration of the premises and mutual covenants set forth in this Agreement, the parties agree as follows:

1. **Grant of Award.** The Company hereby grants to the Participant, effective as of the Date of Grant, [□] restricted stock units (“RSUs”), on the terms and conditions set forth in the Plan and this Agreement.
2. **Vesting and Settlement of RSUs.**
 - (a) **General.** Subject to the terms and conditions set forth in the Plan and this Agreement, the RSUs shall vest [□] (each, a “Vesting Date”), subject to the Participant’s continued Service through the applicable Vesting Date.
 - (b) **Settlement of Vested RSUs.** The Company shall deliver to the Participant within sixty (60) days following a Vesting Date, a number of shares Common Stock equal to the aggregate number of RSUs that have vested pursuant to Section 2(a) ([rounded

down to the nearest whole RSU, with cumulative vesting of any fractional RSUs)]. No fractional shares of Common Stock shall be delivered. The Company may deliver such shares of Common Stock either through book entry accounts held by, or in the name of, the Participant or cause to be issued a certificate or certificates representing the number of shares of Common Stock to be issued in respect of the RSUs, registered in the name of the Participant.

(c) **Withholding Requirements.** Participant is ultimately responsible for all taxes owed in connection with the RSUs and shall hold the Company and related parties harmless for any tax liability. Participant shall timely remit all taxes to the Internal Revenue Service and any other required governmental agencies.

3. **Termination of Service.** Other than as provided in Section 11.3 of the Plan, upon a termination of the Participant's Service for any reason or no reason, any then unvested RSUs as of such termination date will be forfeited immediately, automatically and without consideration. The Participant will have no further rights, and the Company will have no further obligations to the Participant, with respect to such unvested, forfeited RSUs. The RSUs and the shares of Common Stock (and any resulting proceeds) will continue to be subject to Sections 12.2 (Termination for Cause) and 12.3 (Right of Recapture) of the Plan and Section 5(c) of this Agreement.

4. **Compliance with Securities Laws.** The Participant acknowledges, understands and agrees that:

- (a) the Participant has been furnished with a copy of the Plan and the Form S-8 plan summary for the Plan;
- (b) notwithstanding any other provision of this Agreement, shares of Common Stock will not be issued upon RSU vesting unless the shares issuable are registered under the Securities Act or, if such shares are not then so registered, the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. The RSUs and the issuance of any shares of Common Stock thereunder also must comply with all other applicable laws and regulations governing the RSUs and the shares issued thereunder, including any U.S. and non-U.S. state, federal and local applicable laws, and the Participant will not receive shares if the Company determines that such receipt would not be in material compliance with such applicable laws and regulations;
- (c) the Participant understands that the Company is under no obligation to register or qualify the RSUs or the shares of Common Stock issuable upon vesting of the RSUs with the Securities Exchange Commission or any state or foreign securities commission (or materially similar authority).

any such registration or qualification if made) or to seek approval or clearance from governmental authority for the issuance or sale of such shares of Common Stock. Inability of the Company to obtain from any regulatory body having jurisdiction authority, if any, deemed by the Company's legal counsel to be necessary to the issuance and sale of any shares will relieve the Company of any liability in respect of failure to issue or sell the shares as to which such requisite authority is not obtained. Further, the Participant agrees that the Company will have unilateral authority to administer the Plan and this

Agreement without the Participant's consent to the extent necessary to comply with securities or other laws applicable to issuance of shares of Common Stock;

- (d) the Participant understands that the Company has no obligation to the Participant to maintain any registration of the shares of Common Stock with the U.S. Securities Exchange Commission and has not represented to the Participant that it will so maintain registration of the shares of Common Stock. Sales of shares of Common Stock are subject to compliance with other laws and regulations, including, but not limited to, U.S. and non-U.S. securities, exchange control, insider trading and market abuse laws, and the Company's insider trading policy; and
- (e) if the Participant is deemed an affiliate within the meaning of Rule 144 under the Securities Act, the Participant understands that resales of shares of Common Stock under Rule 144 will not be available under current law unless (i) a public trading market then exists for shares of Common Stock, (ii) adequate information concerning the Company is available to the public, and (iii) other terms and conditions of Rule 144 or any exemption therefrom are complied with, including that any sale of the shares of Common Stock be made only in limited amounts in accordance with such terms and conditions.

5. Miscellaneous Provisions

- (a) **Rights of a Stockholder.** Prior to settlement of the RSUs in shares of Common Stock, neither the Participant nor the Participant's representatives will have any rights as a stockholder of the Company with respect to any shares of Common Stock underlying the RSUs, including the right to receive any dividends or dividend equivalents on the RSUs.
- (b) **Transfer Restrictions.** RSUs may not be sold, transferred, assigned, encumbered, pledged or otherwise disposed of, whether voluntarily or by operation of law, during the Participant's lifetime. The shares of Common Stock delivered hereunder shall be subject to such restrictions as the Committee may deem advisable under the Plan or

the rules, regulations and other requirements of the Securities and Exchange Commission, NASDAQ or any stock exchange upon which such shares of Common Stock are listed, any applicable federal or state laws and any agreement with, or policy of, the Company or the Committee to which the Participant is a party or subject, and the Company may cause orders or designations to be placed upon the books and records of the Company's transfer agent to make appropriate reference to such restrictions.

- (c) **Clawback Policy.** The Participant acknowledges that the Participant is subject to the provisions of Section 12 (Forfeiture Events) and Section 14.6 (Trading Policy and Other Restrictions) of the Plan and any compensation recovery, "clawback" or similar policy adopted by the Company from time to time, including after the Date of Grant, that applies to the Participant and/or made applicable by law including the provisions of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules, regulations and requirements adopted thereunder by the Securities and Exchange Commission and/or any national securities exchange on which the Company's equity securities may be listed.
- (d) **Adjustments.** If there is any change with respect to the Company's outstanding shares of Common Stock contemplated by Section 4.5 of the Plan prior to delivery of shares under the RSUs, the RSUs may be adjusted in accordance with Section 4.5 of the Plan.
- (e) **No Right to Continued Service.** Nothing in this Agreement or the Plan confers upon the Participant any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Subsidiary retaining the Participant) or of the Participant, which rights are hereby expressly reserved by each, to terminate their Service at any time and for any reason, with or without cause.
- (f) **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan or the Participant's acquisition or sale of shares of Common Stock underlying the RSUs. The Participant should consult with the Participant's own personal tax, legal and financial advisors regarding participation in the Plan before taking any action related to the Plan.
- (g) **Successors and Assigns.** The provisions of this Agreement will inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon the Participant, the Participant's executor, personal representative(s), distributees,

administrator, permitted transferees, permitted assignees, beneficiaries, and legatee(s), as applicable, whether or not any such person will have become a party to this Agreement and have agreed in writing to be joined herein and be bound by the terms hereof.

- (h) Severability. The provisions of this Agreement are severable, and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, then the remaining provisions will nevertheless be binding and enforceable.
- (i) Amendment. Except as otherwise provided in the Plan and this Agreement, this Agreement will not be amended unless the amendment is agreed to in writing by both the Participant and the Company.
- (j) Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the RSUs and on any shares of Common Stock acquired under the Plan to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.
- (k) No Waiver. No waiver of any provision of this Agreement will be valid unless in writing and signed by the person against whom such waiver is sought to be enforced, nor will failure to enforce any right hereunder constitute a continuing waiver of the same or a waiver of any other right hereunder.
- (l) Choice of Law; Jurisdiction. This Agreement and all claims, causes of action or proceedings (whether in contract, in tort, at law or otherwise) that may be based upon, arise out of or relate to this Agreement will be governed by the internal laws of the State of Delaware, excluding any conflicts or choice-of-law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.
- (m) Section 409A. The Company intends that the RSUs will be exempt from, or comply with, the requirements of Section 409A of the Code; provided, however, that the Company makes no representations that the RSUs will be exempt from or comply with Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to the RSUs.
- (n) Signature in Counterparts. This Agreement may be signed in counterparts, manually

or electronically, each of which will be an original, with the same effect as if the signatures to each were upon the same instrument.

- (o) **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents related to any Awards granted under the Plan by electronic means or to request the Participant's consent to participate in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.
- (p) **Acceptance.** The Participant hereby acknowledges receipt of a copy of the Plan and this Agreement. The Participant has read and understands the terms and provisions of the Plan and this Agreement and accepts the RSUs subject to all the terms and conditions of the Plan and this Agreement. In the event of a conflict between any term or provision contained in this Agreement and a term or provision of the Plan, the applicable term and provision of the Plan will govern and prevail.

[Signature page follows.]

IN WITNESS WHEREOF, the Company and the Participant have executed this Restricted Stock Unit Award Agreement as of the Date of Grant. The Participant acknowledges that as of the Date of Grant, this Agreement and the Plan set forth the entire understanding between the Participant and the Company and any Subsidiary regarding the RSUs and supersede all prior oral and written agreements on the subject.

PARTICIPANT LEAFLY HOLDINGS, INC.

By: _____

Date: _____ Date: _____

[Signature Page – RSU Award Agreement]

Form Employee PSU Award Agreement Ex. 10.3

**Leafly Holdings, Inc.
2021 Equity Incentive Plan**

Performance Stock Unit Award Agreement

This Performance Stock Unit Award Agreement (this "Agreement") is made by and between Leafly Holdings, Inc., a corporation organized and existing under the laws of Delaware (the "Company"), and [] (the "Participant"), effective as of [], 202_ (the "Date of Grant").

RECITALS

WHEREAS, the Company has adopted the Leafly Holdings, Inc. 2021 Equity Incentive Plan (as may be further amended, amended and restated or modified from time to time) (the “Plan”), which is incorporated herein by reference and made a part of this Agreement. Capitalized terms not otherwise defined in this Agreement shall have the meanings ascribed to those terms in the Plan;

NOW THEREFORE, in consideration of the premises and mutual covenants set forth in this Agreement, the parties agree as follows:

1. **Grant of Award**. The Company hereby grants to the Participant, effective as of the Date of Grant, [□] performance stock units (“PSUs”), on the terms and conditions set forth in the Plan and this Agreement.
2. **Vesting Start Date**. January 1, 2023
3. **Vesting and Settlement of PSUs**.
 - (a) **Performance Goals**. Subject to the terms and conditions set forth in the Plan and this Agreement, PSUs are eligible for vesting based on the achievement (if any) of the following targets (the “Performance Goals”) for the period from [□] through [□] (the “Performance Period”):
[Description of Performance Goals]
 - (b) **Determination of Vested PSUs**. PSUs will be treated as vested only as of the date the Committee determines the level of achievement of the Performance Goals for the Performance Period (the date of such determination, a “Vesting Date”), subject to the Participant’s continued Service through the Vesting Date.
 - (c) **Settlement of Vested PSUs**. Subject to the terms of this Agreement, the Company will deliver to the Participant within sixty (60) days following the Vesting Date, but in no event later than March 15th of the calendar year following the Vesting Date that number of shares of Common Stock equal to the aggregate number of PSUs that the Committee determines have vested (rounded up to the nearest whole PSU and reduced by any shares of Common Stock sold or withheld to satisfy tax withholding requirements). No fractional shares of Common Stock shall be delivered. The Company may deliver such shares of Common Stock either through book entry accounts held by, or in the name of, the Participant or cause to be issued a certificate or certificates representing the number of shares of Common Stock to be issued in respect of the PSUs, registered in the name of the Participant.

(d) **Change of Control.** In the event of a Change in Control, all then outstanding unvested PSUs will become fully vested and paid out within thirty (30) days of such Change in Control; provided that such Change in Control constitutes a "change in control event" to the extent necessary to comply with, or be exempt from, Section 409A of the Code.

4. **Termination of Service.** Upon a termination of the Participant's Service for any reason or no reason, any then unvested PSUs as of such termination date will be forfeited immediately, automatically and without consideration. The Participant will have no further rights, and the Company will have no further obligations to the Participant, with respect to such unvested, forfeited PSUs. The PSUs and the shares of Common Stock (and any resulting proceeds) will continue to be subject to Sections 12.2 (Termination for Cause) and 12.3 (Right of Recapture) of the Plan and Section 9(c) of this Agreement.

For purposes of this Agreement, termination of the Participant's Service will be considered to occur as of the date the Participant is no longer actively providing services to the Company, or, if different, the Subsidiary that employs the Participant or for which the Participant otherwise provides services (the "Service Recipient") (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or otherwise rendering services or the terms of the Participant's employment or service agreement, if any). Unless otherwise determined by the Committee, the Participant's right to vest in the PSUs, if any, will cease as of this date and will not be extended by any notice period (e.g., the Participant's period of Service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Participant is employed or otherwise providing services, or the terms of the Participant's employment or service agreement, if any). The Company will have the exclusive discretion to determine when the Participant is no longer actively providing services for purposes of the PSUs (including whether the Participant may still be considered to be actively providing services while on leave of absence).

5. Tax Withholding Requirements.

(a) The Participant is ultimately responsible for all taxes owed in connection with the PSUs (e.g., upon vesting and/or upon receipt of any shares of Common Stock thereunder), including any U.S. or non-U.S. federal, state or local taxes of any kind required by law, including income tax, social insurance, FICA, payroll tax, fringe benefits tax, payment on account and all other tax items related to the Participant's participation in the Plan and legally applicable to the Participant or deemed by the

Company or the Service Recipient in its discretion to be an appropriate charge to the Participant even if legally applicable to the Company or the Service Recipient (the "Tax-Related Items"), regardless of any action the Company or any Subsidiary takes with respect to any such Tax-Related Items. The Company shall have the right to deduct or withhold from any shares of Common Stock deliverable under this Agreement, or in its discretion to require the Participant to remit to the Company, the amounts necessary to satisfy all of the Tax-Related Items required to be withheld in connection with the settlement of the PSUs. Notwithstanding the foregoing, the Participant authorizes the Company to facilitate open market sales of shares of Common Stock under the PSUs to generate proceeds to satisfy all required tax withholding obligations (which sales shall be made automatically on the Participant's behalf without further consent required of the Participant, and any proceeds received in connection therewith will be reduced by all applicable broker fees and commissions incurred in effecting such sales).

(b) The Participant agrees to make adequate arrangements satisfactory to the Company and/or a Subsidiary, as applicable, prior to any relevant taxable or tax withholding event, to satisfy any applicable tax withholding obligation related to Tax-Related Items. The Company has no obligation to issue shares pursuant to vested PSUs until the Participant has satisfied any tax withholding obligations related to the Tax-Related Items in a manner acceptable to the Company. The Company may withhold or account for Tax-Related Items by considering statutory withholding rates or other applicable withholding rates, including maximum applicable rates in the Participant's jurisdiction(s). In the event of over-withholding, the Participant may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in Common Stock, or if not refunded, the Participant may seek a refund from the applicable tax authorities. In the event of under-withholding, the Participant may be required to pay additional Tax-Related Items directly to the applicable tax authorities or to the Company and/or the Subsidiary to whom the Participant provides services.

(c) The Participant acknowledges that the Company and any Subsidiary to whom the Participant provides services (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the PSUs, including but not limited to, the grant, the vesting, the issuance of shares of

Common Stock upon vesting, the subsequent sale of the shares acquired pursuant to the PSUs, and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the PSUs to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, the Participant acknowledges

that if the Participant is subject to tax in more than one jurisdiction, the Company and/or a Subsidiary may be required to withhold or account for Tax-Related Items in more than one jurisdiction. By accepting the Award, the Participant agrees that the Participant will be deemed to have waived any claims against the Company with respect to any tax consequences related to the PSUs.

6. Compliance with Securities Laws. The Participant acknowledges, understands and agrees that:

- (a) the Participant has been furnished with a copy of the Plan and the Form S-8 plan summary for the Plan;
- (b) notwithstanding any other provision of this Agreement, shares of Common Stock will not be issued upon PSU vesting unless the shares issuable are registered under the Securities Act or, if such shares are not then so registered, the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. PSUs and the issuance of any shares of Common Stock thereunder also must comply with all other applicable laws and regulations governing the PSUs and the shares issued thereunder, including any U.S. and non-U.S. state, federal, and local applicable laws, and the Participant will not receive shares if the Company determines that such receipt would not be in material compliance with such applicable laws;
- (c) the Participant understands that the Company is under no obligation to register or qualify the PSUs or the shares of Common Stock issuable upon vesting of the PSUs with the U.S. Securities and Exchange Commission or any state or foreign securities commission (or to maintain any such registration or qualification if made) or to seek approval or clearance from any governmental authority for the issuance or sale of such shares of Common Stock. The inability of the Company to obtain from any regulatory body having jurisdiction over such shares any required registration, qualification or other approval or clearance, or any other authority, if any, deemed by the Company's legal counsel to be necessary to the issuance and sale of any shares will relieve the Company of any liability in respect of such failure to issue or sell the shares as to which such requisite authority is not obtained. Further, the Participant agrees that the Company will have unilateral authority to amend the Plan and this Agreement without the Participant's consent to the extent necessary to cause the Plan and this Agreement to comply with securities or other laws applicable to the issuance of shares of Common Stock;
- (d) the Participant understands that the Company has no obligation to the Participant to maintain any registration of the shares of Common Stock with the U.S. Securities and Exchange Commission and has not represented to the Participant that it will so maintain registration of the shares of Common Stock. Sales of shares of Common Stock are also subject to compliance with other laws and regulations, including, but not limited to, state securities laws.

not limited to, U.S. and non-U.S. securities, exchange control, insider trading and market abuse laws, and with the Company's insider trading policy; and

(e) if the Participant is deemed an affiliate within the meaning of Rule 144 under the Securities Act, the Participant understands that resales of shares of Common Stock under Rule 144 will not be available under current law unless (i) a public trading market then exists for the shares of Common Stock, (ii) adequate information concerning the Company is then available to the public, and (iii) other terms and conditions of Rule 144 or any exemption therefrom are complied with, including that any sale of the shares of Common Stock may be made only in limited amounts in accordance with such terms and conditions.

7.

Nature of Grant.

By accepting the Award, the Participant acknowledges, understands and agrees that:

- (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
- (b) the grant of PSUs is exceptional, voluntary and occasional and does not create a contractual or other right to receive future grants of PSUs, or benefits in lieu of PSUs, if PSUs have been granted in the past;
- (c) all decisions with respect to future PSU grants or other grants, if any, will be at the discretion of the Company;
- (d) the Participant is voluntarily participating in the Plan;
- (e) the PSUs and the Shares underlying the PSUs, and the income from and value of same, are not intended to replace any pension rights or compensation;
- (f) the PSUs and the Shares underlying the PSUs, and the income from and value of same, are not part of normal or expected compensation for purposes of, including but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, holiday pay,

holiday top-up, pension or retirement or welfare benefits or similar mandatory payments;

- (g) the future value of the shares underlying the PSUs is unknown, indeterminable and cannot be predicted with certainty; and

(h) no claim or entitlement to compensation or damages will arise from forfeiture of the PSUs resulting from (a) the Participant's termination of Service (for any reason whatsoever whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or providing services or the terms of the Participant's employment or service agreement, if any) or (b) the application of Section 13(c) of this Agreement or any compensation recovery or clawback policies adopted by the Company.

8. Miscellaneous Provisions.

(a) Rights of a Stockholder. Prior to settlement of the PSUs in shares of Common Stock, neither the Participant nor the Participant's representatives will have any rights as a stockholder of the Company with respect to any shares of Common Stock underlying the PSUs, including the right to receive any dividends or dividend equivalents on the PSUs.

(b) Transfer Restrictions. PSUs may not be sold, transferred, assigned, encumbered, pledged or otherwise disposed of, whether voluntarily or by operation of law, during the Participant's lifetime. The shares of Common Stock delivered hereunder shall be subject to such restrictions as the Company may deem advisable under the Plan or the rules, regulations and other requirements of the U.S. Securities and Exchange Commission, NASDAQ or any stock exchange upon which such shares of Common Stock are listed, any applicable federal or state laws and any agreement with, or policy of, the Company or the Committee to which the Participant is a party or subject, and the Company may cause orders or designations to be placed upon the books and records of the Company's transfer agent to make appropriate reference to such restrictions.

(c) Clawback Policy. The Participant acknowledges that the Participant is subject to the provisions of Section 12 (Forfeiture Events) and Section 14.6 (Trading Policy and Other Restrictions) of the Plan and any compensation recovery, "clawback" or similar policy adopted by the Company from time to time, including after the Date of Grant, that applies to the Participant and/or made applicable by law, including under the provisions of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules, regulations and requirements adopted

thereunder by the U.S. Securities and Exchange Commission and/or any national securities exchange on which the Company's equity securities may be listed.

(d) Adjustments. If there is any change with respect to the Company's outstanding

shares of Common Stock contemplated by Section 4.5 of the Plan prior to delivery of shares under the PSUs, the PSUs may be adjusted in accordance with Section 4.5 of the Plan.

(e) **No Right to Continued Service.** Nothing in this Agreement or the Plan confers upon the Participant any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Subsidiary retaining the Participant) or of the Participant, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without cause.

(f) **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan or the Participant's acquisition or sale of shares of Common Stock underlying the PSUs. The Participant should consult with the Participant's own personal tax, legal and financial advisors regarding participation in the Plan before taking any action related to the Plan.

(g) **Successors and Assigns.** The provisions of this Agreement will inure to the benefit of, and be binding upon, the Company and its successors and assigns and upon the Participant, the Participant's executor, personal representative(s), distributees, administrator, permitted transferees, permitted assignees, beneficiaries, and legatee(s), as applicable, whether or not any such person will have become a party to this Agreement and have agreed in writing to be joined herein and be bound by the terms hereof.

(h) **Severability.** The provisions of this Agreement are severable, and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, then the remaining provisions will nevertheless be binding and enforceable.

(i) **Amendment.** Except as otherwise provided in the Plan and this Agreement, this Agreement will not be amended unless the amendment is agreed to in writing by both the Participant and the Company.

(j) **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the PSUs and on any shares of Common Stock acquired under the Plan to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

(k) No Waiver. No waiver of any provision of this Agreement will be valid unless in writing and signed by the person against whom such waiver is sought to be enforced, nor will failure to enforce any right hereunder constitute a continuing waiver of the same or a waiver of any other right hereunder.

(l) Choice of Law; Jurisdiction. This Agreement and all claims, causes of action or proceedings (whether in contract, in tort, at law or otherwise) that may be based upon, arise out of or relate to this Agreement will be governed by the internal laws of the State of Delaware, excluding any conflicts or choice-of-law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

(m) Section 409A. The Company intends that the PSUs will be exempt from, or comply with, the requirements of Section 409A of the Code; provided, however, that the Company makes no representations that the PSUs will be exempt from or comply with Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to the PSUs.

(n) Signature in Counterparts. This Agreement may be signed in counterparts, manually or electronically, each of which will be an original, with the same effect as if the signatures to each were upon the same instrument.

(o) Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to any Awards granted under the Plan by electronic means or to request the Participant's consent to participate in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

(p) Acceptance. The Participant has read and understands the terms and provisions of the Plan and this Agreement and accepts the PSUs subject to all of the terms and conditions of the Plan and this Agreement. In the event of a conflict between any

term or provision contained in this Agreement and a term or provision of the Plan, the applicable term and provision of the Plan will govern and prevail.

[Signature page follows.]

IN WITNESS WHEREOF, the Company and the Participant have executed this Performance Stock Unit Award Agreement as of the Date of Grant. The Participant acknowledges that as of the Date of Grant, this Agreement and the Plan set forth the entire understanding between the Participant and the Company and any Subsidiary regarding the PSUs and supersede all prior oral and written agreements on the subject.

PARTICIPANT LEAFLY HOLDINGS, INC.

By: _____

Date: _____ Date: _____

[Signature Page – PSU Award Agreement]

Exhibit 31.1

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Yoko Miyashita, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended **March 31, 2023** **June 30, 2023** of Leafly Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **May 12, 2023** **August 11, 2023**

By: _____ /s/ Yoko Miyashita
Yoko Miyashita
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Suresh Krishnaswamy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended **March 31, 2023** **June 30, 2023** of Leafly Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **May 12, 2023** **August 11, 2023**

By: _____ /s/ Suresh Krishnaswamy
Suresh Krishnaswamy
Chief Financial Officer
(Principal Financial Officer
and Principal Accounting Officer)

Exhibit 32.1

**CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Yoko Miyashita, the Chief Executive Officer of Leafly Holdings, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Leafly Holdings, Inc. for the quarter ended **March 31, 2023****June 30, 2023**, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Leafly Holdings, Inc.

Date: **May 12, 2023****August 11, 2023**

By: _____ /s/ Yoko Miyashita
Yoko Miyashita
Chief Executive Officer
(Principal Executive Officer)

I, Suresh Krishnaswamy, the Chief Financial Officer of Leafly Holdings, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Leafly Holdings, Inc. for the quarter ended **March 31, 2023****June 30, 2023**, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Leafly Holdings, Inc.

Date: **May 12, 2023****August 11, 2023**

By: _____ /s/ Suresh Krishnaswamy
Suresh Krishnaswamy
Chief Financial Officer
(Principal Financial Officer
and Principal Accounting Officer)

This certification accompanies the Quarterly Report on Form 10-Q of Leafly Holdings, Inc. for the quarter ended **March 31, 2023****June 30, 2023**, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Leafly Holdings, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of such Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.

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