Leafly

2023

Annual Report

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 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 incorporation or organization)	(I.R.S. Employer Identification No.)
113 Cherry Street, PMB 88154 Seattle, Washington	**98104-2205**
(Address of principal executive offices)	(Zip Code)

(206) 455-9504

(Registrant's telephone number, including area code)

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 $230.00 per share	**LFLYW**	**The Nasdaq Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

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 registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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. Yes ☐ No ☑

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive o□cers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the Common Stock (based on its closing price per share on such date) held by non-affiliates on the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2023) was approximately $11.0 million.

Registrant had 2,301,495 shares of Common Stock ($0.0001 par value) outstanding as of March 20, 2024.

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PART I

Forward-Looking Statements

This Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (“Annual 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 Annual Report regarding Leafly Holdings, Inc.’s (referred to herein as, “Leafly” or the “Company” or “we”, “our” or “us”) future financial performance, strategy, operations, operating results, financial position, estimated revenues, losses, projected costs, prospects, plans and objectives of management are forward-looking statements. Forward-looking statements may appear throughout this Annual Report, including in the following sections: “Business” (Part I, Item 1), “Risk Factors” (Part I, Item 1A), “Cybersecurity” (Part I, Item 1C), “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (Part II, Item 7), and “Quantitative and Qualitative Disclosures About Market Risk” (Part II, Item 7A). Words, and variations of words, such as “may,” “expect,” “anticipate,” “contemplate,” “believe,” “estimate,” “intend,” “project,” “budget,” “forecast,” “plan,” “will,” “could,” “should,” “predict,” “potential,” “can,” “likely,” “designed,” and “continue” and similar expressions are intended to identify our forward-looking statements. You should read statements that contain these words carefully because they:

- discuss future expectations; or
- 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 Annual Report.

All forward-looking statements included herein 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, Leafly undertakes no obligations to update these forward-looking statements to reflect events or circumstances after the date of this Annual Report or to reflect the occurrence of unanticipated events.

There may be events in the future that Leafly is not able to predict accurately or over which it has no control. The sections in this Annual Report entitled “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the other cautionary language discussed in this Annual Report provide examples of risks, uncertainties and events that may cause actual results to differ materially from the expectations described by Leafly 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 and pay its debt and other obligations when due;
- 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 cannabis retailers and the level of advertising spending by such retailers;
- the degree of market acceptance and adoption of the Company’s products, services and pricing changes;
- the Company’s ability to attract and retain customers;
- the Company’s success in retaining or recruiting officers, key employees or directors;
- the Company’s ability to satisfy the Nasdaq Stock Market LLC’s (“Nasdaq”) continued listing requirements and maintain the listing of the Company’s shares of common stock on Nasdaq or another national securities exchange;

- the impact of the regulatory environment and complexities with compliance related to such environment, including compliance with restrictions imposed by federal law (under which cannabis is illegal) and slower legalization efforts at the state level; and
- factors relating to the business, operations and financial performance of the Company and its subsidiaries.

Item 1. BUSINESS

Mission

Leafly's mission is to help people discover cannabis. We endeavor to serve as the world's most trusted destination to discover and shop for cannabis, where legal. The Company was founded in 2010 with the objective to demystify cannabis, a product that lived in the shadows through decades of prohibition. Tens of millions of unique visitors access Leafly each year to learn more about legal cannabis, discover what products are right for them, and to shop with regulation-compliant local businesses. Through helping people navigate their cannabis journey, Leafly helps millions of consumers discover the benefits of cannabis.

Business Description

Leafly began as a platform to provide consumers with trusted cannabis information. Since then, Leafly has evolved into a content-first, community-driven, multi-sided marketplace that connects consumers to cannabis brands and licensed retailers. We offer cannabis retailers and brands subscription-based marketplace listings that provide our broad-based cannabis audience with information, reviews, menus, and ordering and delivery options through legal retailers. Our audience — which was over 70 million in 2023 — chooses Leafly for our unique, original content and data.

Our Markets

As of December 31, 2023, 40 U.S. states and the District of Columbia have legalized cannabis for medical use, of which 24 states and the District of Columbia have further legalized cannabis for adult-use. Cannabis is a Schedule I substance under the Controlled Substances Act and is illegal under U.S. federal law. In 2013, Canada legalized the commercial production and sale of medical cannabis, and in 2018 it legalized the commercial production and sale of adult-use cannabis. Several dozen other countries, including Germany, Australia, Mexico and Jamaica, permit cannabis use in some form. Leafly generates revenue in nearly all U.S. states where cannabis is legal for medical and/or adult-use and across Canada. As a content-led marketplace, we have an audience in all 50 states and almost every country where consumers have an interest in cannabis and are able to access our information platform.

Support for cannabis legalization in the U.S. remains strong, with recent polls from Gallup showing 70% support for legalizing cannabis across the country. The support is bipartisan, as evidenced by the States Reform Act by Republican members of Congress, the House's approval of the Marijuana Opportunity and Reinvestment Act, the introduction of the Cannabis Administration and Opportunity Act by Senate Majority Leader Chuck Schumer, and the passage of the Medical Marijuana and Cannabidiol Research Expansion Act after receiving bipartisan support. At the state level, efforts to end prohibition continue to make progress, with New Jersey being the latest to prepare for the launch of adult-use sales, in addition to recent license issuances expanding the medical market in the state.

Leafly has demonstrated an ability to attract and grow an audience in jurisdictions prior to any form of legalization. We do this by leveraging our extensive content library and establishing brand affinity. Building an active ecosystem with consumers prior to medical or adult-use legalization is a competitive advantage. Consumers consult our strains database and news before legalization, as access to cannabis education and information is generally not restricted, even where cannabis is prohibited. Our high-quality, high search engine optimization, or "SEO," ranking content library therefore attracts an audience and helps increase Leafly's brand profile across consumers. Leafly's platform is broadly available throughout North America, with an audience that reaches beyond North America. The functionality we can provide, ranging from providing content to a robust three-sided marketplace, within each jurisdiction, depends on the state of legalization. The services we provide in any given jurisdiction adhere to the relevant governing regulations, which may allow or restrict online order reservations on third party platforms like Leafly.

Projected Growth of the Cannabis Market

The consistent growth of the U.S. legal cannabis industry in recent years is expected to continue. In 2021, Whitney Economics projected that the industry would double between 2020 and 2025, and the Pew Research Center reported that a majority of U.S. adults support having legal access to medical and/or adult-use cannabis.

Despite these growth expectations, the regulated cannabis market is still nascent and fragmented, with significant challenges facing both consumers seeking to understand cannabis, and the retailers and brands seeking to grow while managing regulatory burdens.

Leafly's Consumers and Suppliers and How We Reach Them

Consumers

Leafly attracted on average 7.1 million monthly visitors to its platform in 2023. While Leafly primarily targets a North American audience, consumers around the world consult Leafly for education and information about cannabis and where and what to buy from licensed retailers and brands. Prevalence of cannabis consumption across consumers has increased in the last 20 years as an increasing number of states and countries have legalized cannabis for medical and/or adult-use.

Our platform provides a destination where consumers can navigate the complex world of cannabis to make informed and personalized purchasing decisions. Leafly's website provides consumers with the tools to research cannabis and identify the strains and products that may be right for their needs. They learn about different strains, form factors (for example, cannabis flower, edibles, concentrate, tinctures, beverages), find deals and read reviews, all of which help build confidence in their shopping decisions. We provide consumers with information about the latest strains and products and, more importantly, where they can order those items, from licensed retailers. Prior to legalization, consumers are already utilizing our industry-leading strain database and reading our cannabis news coverage. When legalization arrives in a particular jurisdiction, we publish news and information about new laws and regulations to help prime consumers for shopping in their new local market.

Consumers access our content, paths towards discovery, and online order reservation tools through the Leafly website and iOS and Android mobile applications. Consumers find their way to the Leafly website primarily through organic search, using search engines like Google, Yahoo!, Bing and DuckDuckGo. Our history of creating useful content has resulted in Leafly search results ranking higher than other cannabis websites for key cannabis search terms. Consumers visit our "*Learn*" or "*Cannabis 101*" sections to learn the basics of cannabis science and products; "*News*" to learn about the latest developments in legalization and regulations; "*Strains*" to access our strains database; "*Products*" to access our catalog of cannabis brands and products across multiple categories; and "*Dispensaries*" to find listings of retailers and their menus nearest to the consumer's location. Leafly also gathers structured feedback from consumers in the form of reviews, where consumers share their observations and experiences with a particular strain or product.

To attract consumers to our platform, we leverage multiple business-to-consumer ("B2C") marketing initiatives, including content marketing, channel marketing, and public relations to drive cost-effective consumer engagement.

Retailers and Brands

Retailers are the licensed storefronts and delivery services that sell cannabis products to consumers. Brands are the licensed producers of cannabis products or accessories that are made available for sale to consumers. We refer to retailers and brands collectively as "suppliers" on our platform and they are the purveyors of cannabis products that consumers discover on our platform while they search for the right cannabis products that fit their needs. Suppliers participate on the Leafly platform to reach Leafly's engaged cannabis consumer audience and they comprise the paying customers on our platform today.

As of December 31, 2023, we had over 12,000 retail listings on our platform, of which over 3,800 were paid. We believe the greater the number of retail listings and menu items, the more likely it is a consumer will find their desired product or strain.

Our marketing efforts to attract suppliers include a variety of strategies designed to acquire both retail and brands subscribers. We are working to attract the remaining licensed retailers not already on our platform. We are also using marketing strategies to activate more brands across our platform. Leveraging data insights, technology tools and personalized interaction via online webinars, in-person events and direct email, we seek to craft messages that resonate for sales and product adoption. Our business-to-business ("B2B") marketing is transitioning from a primarily inbound lead generation approach to also include proactive account-based marketing designed to reach brands and licensed retailers in prioritized geographies.

Leafly's Products and Services

Products and Services for Consumers - Content and Shopping Services

We are a content-first marketplace that seeks to educate and inform consumers about cannabis. Our visitors, also referred to as consumers, in addition to consuming our content, may also create and submit additional content in the form of store/product/strain reviews, expanding our overall library. User-generated content can include new strain information and additional reviews, and, once submitted, our subject matter experts may review, validate and add to these submissions. With each new piece of content from our visitors, our content library grows richer and more valuable for all future visitors to our platform.

We also generate additional content on our platform in the form of retailer listings, which provide pertinent store and menu information to consumers, that supports our online ordering experience. Retailers purchase monthly retailer subscriptions to provide a business listing on our site, where they can maintain basic business information, including address, phone number, and business hours. Listings also allow retailers to upload their menus manually or through an existing integration we have with point-of-sale ("POS") providers, custom application programming interface ("API") integrations with retailers, and integrations with menu enablement providers. Menus provide a list of products that are available through the retailer, pricing information, including special deals from the retailer, as well as those product listings that are order enabled.

Brand listings, introduced in June 2021, are also a source of content, through which brand customers provide information about their products, which are searchable and viewable by consumers on the Leafly platform. Brands list their products on Leafly so they can provide pertinent product details to consumers, such as strain, cannabinoid, and terpene information, and to post product imagery. Through catalog control, which launched in the fall of 2021, brands are able to control how their products appear across retailer menus on the Leafly platform, creating a consistent look and feel for their product(s) and product-based search to support a consumer shopping journey.

Consumers on the Leafly platform can reserve items on retailer menus for pick-up or delivery, where either is permitted under applicable law. Once consumers place a reservation, the Leafly platform communicates the online order reservation to the applicable retailer who is then responsible for fulfillment including collecting payment from the consumer. Our platform also allows for retailers to communicate with consumers. For example, consumers receive transactional messages, such as "*order received*," "*order being processed*" and "*order ready for pick-up*" communications from the applicable retailer, so they can track in real-time the status of their order.

Consumers access our content and tools for free across the Leafly platform. All our revenues today are generated from our paying retailer and brand customers. Leafly neither sells (nor fulfills purchases of) cannabis products, nor does Leafly process payments for cannabis transactions across its platform. Consumers do not purchase cannabis products using our platform, and all confirmation of product availability, final order acceptance, order fulfillment, and processing of payments is handled directly between the consumer and the retailer.

Products and Services for Retailers

Leafly provides retailers with subscription-based offerings and advertising tools to attract our audience to their menus and ultimately, convert that audience into a community of shoppers. We also provide a suite of online tools which allow retailers to engage and communicate with consumers they acquire on our platform, including a portfolio of easy-to-use Software as a Service (“SaaS”)-based tools that allow the retailers to update their menus on the Leafly platform, create deals and promotions for consumers, manage their Leafly order reservation operations, integrate with selected POS systems, and view dashboards and analytics to help them make sales and merchandising decisions. Finally, we provide competitive market insights to retailers, which help them understand product and sales trends in their local market, track and monitor their performance across the Leafly platform, and gain insights on how to better compete to acquire new consumers via the Leafly platform.

We offer retailers two different tiers of subscriptions on our platform, standard and pro. We also offer a no-cost “info-only” package that includes retailer informational listings, including store name and address, contact information, opening hours and customer reviews. Our paid solutions provide enhanced business listings, POS integrations, online reservation services, data insights, and advertising. Increasing the number of paid retailers with menus on our platform is critical to give consumers access to a greater supply of cannabis retailers, which creates a more compelling shopping experience.

The primary difference between standard and pro subscriptions is the ability for pro subscribers to participate in our advertising and add-on activations, including featured listings, display ads, promoted deal offerings, sponsored content, and sponsored event services to further promote their stores on the Leafly platform. For example, on our dispensary finder, we offer platinum placements. These performance ad units typically generate greater consumer activity and engagement with the advertising retailer. In competitive local markets, those marketplace ad units can generate additional revenue for Leafly, as retailers compete to acquire new shoppers and order reservations via the Leafly platform. Retailers may be willing to pay higher rates and compete for shoppers on our platform, as Leafly shoppers exhibit valuable shopping behaviors. The ability to price performance advertising units based on market demand makes our business model dynamic and further empowers retailers to make prudent marketing choices based on their desired volume of consumer engagement.

Revenue from our retail partners accounted for approximately 85.0% and 77.6% of our revenue for the years ended December 31, 2023 and 2022, respectively.

Products and Services for Brands

Brands have historically relied on our digital advertising solutions, such as banner ads, branded content, and email campaigns, to engage with the Leafly audience across our platform. However, with the re-introduction of our brands subscription offering in the first half of 2021, in addition to traditional digital advertising products that we continue to sell, we offer a subscription-based product which allows brands to create a product listing on Leafly and pay to participate in advertising and add-on activations to promote their products to shoppers on our platform. We offer brands tools for campaign creation, tracking, and targeting and audience segmentation of customers so they can offer products and promotions that are native to the consumer shopping experience on Leafly.

Revenue from our brand partners accounted for approximately 15.0% and 22.4% of our revenue for the years ended December 31, 2023 and 2022, respectively.

Competition and Growth Drivers

Leafly is a three-sided marketplace connecting consumers, retailers and brands who come together on our platform to participate in our efficient, networked marketplace. Participants on Leafly — whether consumer, retailer or brand — contribute rich content, power menus, drive order reservations and, ultimately, create a stronger ecommerce platform. Connecting these constituents with Leafly order reservation tools has resulted in a dynamic marketplace that we believe drives significant value to our suppliers.

We compete with WM Technologies, Inc. (“Weedmaps”) in providing a marketplace where consumers search for products and place order reservations for those products with participating storefront and delivery retailers. However, with our content-first strategy, we are able to build demand (consumers) on our platform in advance of establishing the marketplace. This differentiates us from Weedmaps, which is a transaction-oriented marketplace and, thus, dependent on a legalization trigger to establish a foothold in any given market.

We also indirectly compete with e-commerce enablement providers that target the cannabis sector, including Dutchie and Jane Technologies ("Jane"). Providers like Dutchie and Jane provide licensed retailers with embedded menus and e-commerce tools (similar to Leafly's embedded menu solutions) that allow for retailers to offer e-commerce and order reservations directly on retailers' websites. Dutchie and Jane also offer consumer marketplaces, but those offerings have limited consumer traffic and engagement as compared with Leafly's marketplace. Since 2021, Leafly has had a strategic partnership with Jane to provide streamlined menu management for retailers by integrating Jane's product catalog and business tools with Leafly's consumer marketplace. This integration offers retailers time-saving, resource-efficient tools for online menu management, as well as a larger reach to consumers and customers.

Leafly's marketplace competes for its share of a large and growing audience. Leafly seeks to offer a differentiated experience for every visitor, powered by educational resources, broad selection, data and science. We believe the breadth of verified information, news and selection establishes trust between Leafly and its audience, creating a competitive environment that favors Leafly. We believe the significant audience and content library we have built up over a decade cannot be replicated easily.

In order to drive the continued growth of our business, we see a number of clear strategies and growth drivers in the immediate to mid-term.

Increased Penetration of Local Markets

Because of the highly fragmented nature of state cannabis regulations, cannabis is an inherently local business. Each state has its own rules regarding who, what and how cannabis products can be produced and sold. Leafly has an established local market strategy that is designed to capitalize on the inherently local nature of this market. We focus on establishing and scaling our marketplace on a market-by-market basis. We work to secure the right amount of supply (retailers and brands) so we can match them with the demand (consumers) on our platform. Failure to achieve the right balance between suppliers and consumers can result in a suboptimal shopping experience, where fewer suppliers mean reduced selection and price options for consumers. To achieve healthy marketplace dynamics in specific markets, we may lower the price of our subscription packages to attract retailers onto our platform. We believe on-boarding suppliers onto our platform is of critical importance and will benefit us in the long run. We believe that by improving matching at the local level we can increase the volume of order reservations placed on our platform, thereby driving greater gross merchandise value and return on spend for our participating retailers. We have the ability to recreate this process in most new markets we enter.

Historically and today, our sales efforts to attract suppliers have been primarily focused on processing inbound leads. Many cannabis brands and retailers want to list their businesses on Leafly as soon as they are ready to begin operations.

Consumer Personalization and Improved Matching

In addition to iterating on our offerings for suppliers, we believe that investment in consumer discovery and personalization will provide our consumers with a further differentiated and immersive experience. We expect this will result in converting more Leafly visitors into shoppers. Today, we leverage our content (e.g., strains database, consumer reviews, retailer menus, brand product listings) and intellectual property along with search data and consumer trends to drive recommendations and personalization for our visitors. We continue to iterate on our personalization engines and, through such improvements, we believe we can better match consumers with their preferred strains and products. We believe finding the right product is critical, and we believe consumers will value personalized recommendations as they refine individual preferences. Through improved matching, we believe we can increase the number of order reservations and the number of items within each order reservation and shopper retention. If we are successful in doing so, we believe Leafly will generate increased return on investment for our suppliers and for ourselves.

New Market Development

Our long-term growth depends on our ability to successfully develop an online marketplace within each local economy, whether within North America or outside. Once a new market opens with some form of legalized cannabis use, it may take years for that market to become efficient. This requires a robust supply chain, an appropriate density of dispensaries, and enough variety across brands and form factors (for example, cannabis flower, edibles, concentrate, tinctures, beverages) to power consumer engagement. Our business depends on each market achieving a critical mass of consumers and suppliers, and if successful, we expect will drive meaningful return on investment "ROI" to our advertising partners. We believe achieving these elements will accelerate our revenue model. However, it is our strategy to build an engaged audience in certain new markets prior to those markets reaching maturity. As a result, it is likely that we will continue to incur losses in new markets for an extended period, and different markets can be expected to grow at different rates and generate varying levels of revenue, which we cannot predict with accuracy.

Data Opportunities

As the industry matures, we expect we will expand our offering of e-commerce tools and, by association, data products. With one of the largest audiences in cannabis, we identify customer trends and opportunities at the local market level. Leafly has amassed significant and unique visitor data on browsing and purchasing trends since its inception in 2010. Our internal data shows us that online cannabis shoppers are relatively higher dollar spenders than in-store shoppers, and we believe this type of consumer will be of interest for advertisers in cannabis-related and adjacent industries. With that data, we expect to increase the efficiency of our advertisers' spend by allowing them to reach a specific audience based on the characteristics of their choosing. We view the ability to offer this data and insight as a valuable potential revenue stream.

Concentration of Markets and Customers

For the year ended December 31, 2023, Leafly derived approximately 20%, 12% and 10% of its revenue from customers in Arizona, California and Oregon, respectively. No other state comprised 10% or more of Leafly's revenue. We have a diversified set of customers; no single customer accounted for 10% or more of our revenue for the year ended December 31, 2023.

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 cannot be certain that these are known trends or that other trends may develop.

Intellectual Property

Our brands and intellectual property are valuable assets that are important to our business. In our efforts to safeguard our trademarks, domain names, inventions, copyrights, trade secrets, and other intellectual property rights, we rely on a combination of federal, state, common law and international rights in the jurisdictions in which we operate.

We have an ongoing trademark registration program pursuant to which we file to register our core brands in select jurisdictions to the extent we determine they are appropriate and cost-effective. We consider our LEAFLY trademark to be among our most valuable brand assets and have filed or registered this mark in various jurisdictions, including the United States. Federal, state, and/or local laws may limit or define the nature of permitted goods and services for which we can seek registration.

We hold issued US Patents and have filed and maintained foreign and US patent applications to protect our software, algorithms, and technology interface.

We hold registered and unregistered copyrights, including a registered copyright for our retailer educational program and unregistered copyright in and to aspects of some of our software code, our site content, and our API.

We also rely on non-disclosure agreements, invention assignment agreements, intellectual property assignment agreements, or license agreements with employees, independent contractors, consumers, software providers and other third parties, which protect and limit access to and use of our proprietary intellectual property.

We believe our intellectual property rights are a crucial component of, and competitive differentiator for, our business.

Circumstances outside our control could pose a threat to our intellectual property rights. For more information, see the section entitled "*Risk Factors — Risks Related to Our Intellectual Property*."

People Operations and Human Capital Resources

As of December 31, 2023, Leafly had 131 employees of which 130 were full-time employees. We categorize our company into three teams: sales and marketing, product development, and general and administration. Within those three categories as of December 31, 2023, we had 52, 44 and 35 employees, respectively. Of these employees, 128 were located in the U.S. and 3 were located in Canada.

The opportunity to build and scale the leading cannabis discovery marketplace has attracted, and we believe will continue to attract, top talent across all departments. Our position as a leading cannabis platform in a growing and dynamic market helps us attract high caliber employees who are skilled and also passionate about our mission. We have invested in our talent acquisition resources to find, attract and retain diverse and skilled talent across North America. There are no organized labor unions that represent our employees and we are not subject to any collective bargaining agreements.

Government Regulation of the Leafly Business

Leafly is not currently required to obtain a license for the provision of its products and services to its clients in the cannabis industry. However, Leafly may be subject, directly or indirectly, to rules or regulations governing the provision of such products or services, and the costs of compliance with such rules or regulations may be substantial. As discussed further below, those jurisdictions which have legalized cannabis for medical or adult-use have frequently adopted a complex licensing and regulatory regime.

Entities engaged in the growing, processing, sale, transportation, or delivery of cannabis products are subject to rigorous licensing requirements, including initial licensing and regular licensing renewals, and on-going regulatory burdens. We require suppliers to provide proof of valid corporate existence at the time we initially onboard them. We also require all operational licensed cannabis suppliers, including storefronts and delivery services, to provide a valid, unexpired state-issued license number before accepting their listings or advertisements on our platform. We have dedicated catalog and compliance personnel who review cannabis license information for operational cannabis suppliers, both on submission and from time to time on an ongoing basis, to ensure validity and accuracy. For certain of our products or services, we request additional verification and documentation. In our agreements with suppliers, we obtain representations and warranties that they are complying with state law. We generally do not, and cannot, ensure that our suppliers will conduct their business in a manner compliant with regulations or licensing requirements. The costs that licensing and regulation impose on Leafly's suppliers may indirectly affect Leafly's operations by increasing the costs of operations for our suppliers, decreasing their profitability or resulting in regulatory and even criminal actions if they are non-compliant, and in each case reducing their ability to pay for part or all of Leafly's services, by causing them to go out of business, or by discouraging potential clients to enter the market.

Regulatory restrictions on our suppliers also may restrict the extent to, or manner in, which they can use our services. In many jurisdictions, licensed cannabis businesses are subject to laws and regulations that restrict the manner in which they can advertise. For example, licensees generally are prohibited from advertising to those under the legal age of cannabis consumption in that jurisdiction. Licensees in many jurisdictions are required to include disclaimers in advertisements. Depending on the jurisdiction, licensees may be prohibited from depicting cannabis or cannabis products in advertising, making health or therapeutic claims about cannabis or cannabis products, or encouraging over-consumption of cannabis, among others. For example, licensees in Michigan may not advertise themselves as "*dispensaries*," licensees in Illinois may not include in advertisements any images of a cannabis leaf or bud, and licensees in Oregon may only use advertising that targets cell phones (e.g., hyper-local marketing) if the advertising is within an app the user has installed, the user has confirmed they are of legal age, and the app provides an opt-out feature. These restrictions indirectly affect Leafly by restricting the manner in which its clients can advertise on the Leafly website or Leafly app. In some jurisdictions, licensees may be prohibited from using third-party platforms (like Leafly) for ordering, preventing those licensees from using Leafly's reservation and ordering services, which are part of our paid subscription service. Jurisdictions change these laws and regulations, sometimes frequently, which may affect Leafly in ways we cannot predict.

Some jurisdictions have considered imposing regulatory requirements and civil penalties for violations on online service providers servicing the cannabis industry, such as Leafly. For example, in 2019, the California legislature considered but ultimately rejected AB1417, a bill that would have imposed requirements on websites dedicated to promoting cannabis products. In 2020, the Arizona legislature passed Prop 207, which imposed civil penalties on any individual or entity that advertises marijuana or marijuana products in violation of Arizona's cannabis advertising regulations. Challenging such restrictions or complying with such restrictions may cause us to incur substantial costs. Navigating such requirements to ensure we are not subject to cannabis advertising-related civil penalties also requires dedication of time and resources. Additionally, we are subject to a number of federal, state, provincial and foreign data privacy and internet-related laws and regulations which result in significant compliance burdens.

We have not been a defendant in a criminal action, nor have we been the subject of a civil or regulatory enforcement proceeding, prosecuted by any governmental authority based on our provision of products and solutions to the cannabis industry.

Effect of existing or probable governmental regulations on the business

Our capacity for continued growth and ability to achieve and maintain profitability depends in part on our ability to operate and compete effectively in different domestic and international markets. Each market has unique regulatory dynamics and we have little influence over regulators and the regulations they ultimately enact. These include laws and regulations that can directly or indirectly affect our ability to operate, the number of retailers allowed to operate, and our costs associated with onboarding new suppliers. In addition, each market is subject to distinct competitive and operational dynamics. These include our ability to offer more attractive advertising offerings than alternative options, which affects our sales, results of operations and key business metrics. As a result, we may experience fluctuations in our results of operations due to the changing dynamics in the domestic and international markets where we operate.

Rest of World

In most other countries outside of the U.S. and Canada, cannabis is not legal for adult use. A number of countries have decriminalized cannabis or permit the use of medical cannabis, including Germany, Australia, Mexico, and Jamaica and we expect additional countries to do so. However, it may take years for foreign countries to open for the sale of cannabis-related goods and services. In the meantime, while we do not yet regard these countries as viable markets for our products or services, our content is available to viewers in those countries.

Business Combination with Merida Merger Corp. I

On February 4, 2022, Leafly Holdings, Inc. ("Legacy Leafly") consummated a business combination with Merida Merger Corp. I, Merida Merger Sub, Inc. ("Merger Sub I"), and Merida Merger Sub II, LLC ("Merger Sub II"), whereby (a) Merger

Sub I merged with and into Legacy Leafly (the “Initial Merger”), with Legacy Leafly being the surviving entity (the “Initial Surviving Company”) of the Initial Merger and Legacy Leafly’s shareholders receiving shares of common stock of Merida in exchange for their equity securities of Legacy Leafly, and (b) immediately following the Initial Merger and as part of the same overall transaction as the Initial Merger, the Initial Surviving Company merged with and into Merger Sub II (the “Final Merger” and, together with the Initial Merger, the “Mergers”), with Merger Sub II being the surviving entity of the Final Merger. As a result of the 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 securityholders of Merida. We sometimes refer to the Mergers 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.”

Information about our Executive Officers

Our executive officers as of the date of this Annual Report were as follows:

Name	Age	Business Experience During the Past Five Years and Other Information
Yoko Miyashita	49	Chief Executive Officer of Leafly since August 2020; prior thereto, Leafly General Counsel since 2019; prior thereto, several roles, including Senior Vice President and General Counsel, at Getty Images from July 2005 to April 2019; prior thereto, Associate at Perkins Coie LLP from November 2001 to June 2005. Ms. Miyashita holds a J.D. from the University of Washington School of Law and a B.A. from the University of California, Berkeley.
Suresh Krishnaswamy	55	Chief Financial Officer since September 2021; prior thereto, Principal at NextLevel Business Consulting since 2019; prior thereto, Chief Financial Officer at Drift, a renewable energy marketplace, from 2018 to 2019; prior thereto, Treasury and Pricing Strategy Consultant at Remitly, an international payments company in 2017; prior thereto, Principal at DataSense Analytics, a software and services company from 2015 to 2017. Mr. Krishnaswamy holds a BS in Computer Science from the University of Pennsylvania and an MS in Computer Science from the University of Texas.
Nicole Sanchez	51	General Counsel and Secretary of Leafly since January 2024, prior thereto, Senior Corporate and Securities Counsel since 2023; prior thereto several roles including Vice-President, Senior Legal Counsel and Special Advisor and Legal Counsel for Aspen Insurance, U.S. Services Inc. since 2021, prior thereto Vice President, Associate General Counsel and Assistant Corporate Secretary for NMI Holdings, Inc. from 2013. Ms. Sanchez has a B.A. in American Studies and Studies in the Environment from Yale College and a J.D. from University of California Berkeley School of Law.

Available information

Our website address is www.leafly.com. Information contained on, or that can be accessed through, our website does not constitute part of this Annual Report. The U.S. Securities and Exchange Commission (“SEC”) maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) are also available free of charge on our investor relations website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

We webcast our earnings calls and certain events we participate in or host with members of the investment community on our investor relations website at investor.leafly.com. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, and press and earnings releases, as part of our investor relations website. The contents of these websites are not intended to be incorporated by reference into this report or in any other report or document we file.

Item 1A. RISK FACTORS

You should carefully consider the following risk factors, as well as all of the other information contained in this report, including our consolidated financial statements and the notes thereto, and other filings we make with the SEC before deciding to invest in our common stock. The occurrence of any of the following risks could materially and adversely affect our business, prospects, financial condition, operating results and cash flow. In such case, the trading price of our common stock could decline and you could lose some or all of your investment.

RISK FACTOR SUMMARY

The following is a summary of the principal risks that could materially adversely affect our business operations, industry, and financial results. You should read this summary together with the more detailed risk factors that immediately follow this summary.

Risks Relating to Our Business and Industry

- We have a relatively short operating history in a rapidly evolving industry and a number of factors cause our operating results to fluctuate regularly, which makes it difficult to evaluate our future prospects and to predict our future performance and may increase the risk that we will not be successful.
- The legal cannabis industry and market are relatively new and may not continue to exist or develop as anticipated, and we face intense competition and may not be able to effectively compete.
- If we fail to retain our existing suppliers and consumers or acquire new suppliers and consumers, our revenue and revenue growth will decrease and our business, financial condition, and results of operations could be materially adversely affected.

Operational Risks

- We have a history of operating losses, and we may not achieve or maintain profitability in the future.
- There is substantial doubt about our ability to continue as a going concern, with no assurance that we will be able to generate the necessary liquidity in the future to alleviate this condition.
- If we experience further material decline in our retailer client base and brand revenue, or are unable to expand our brand and retailer client base or into new markets to carry out our business plans, our business, financial condition, and results of operations will be materially adversely affected
- If we fail to deploy new software, platform features or services to address the trends of our customers and consumers or to timely and effectively scale and adapt our existing technology and network infrastructure, our business, financial condition, and results of operations will be adversely affected.
- We rely on third-party service providers to provide products and services for certain aspects of our business.
- If our current marketing model is not effective in attracting new brand and retailer clients, we may need to employ higher-cost methods to attract and retain clients, which could adversely affect our profitability.
- We face potential liability and expense for legal claims based on the content on our platform.
- We may need to raise additional capital, which may not be available on favorable terms, if at all, causing dilution to our stockholders, restricting our operations or adversely affecting our ability to operate our business.

Regulatory Risks

- Our business is highly regulated and could suffer if applicable laws and regulations change.
- An adverse change in U.S. federal policy or strict enforcement of federal cannabis law would undermine our business model and results from operations.
- We are subject to governmental laws, regulations and other legal obligations, particularly related to privacy, data protection and information security, and any actual or perceived failure to comply with such obligations could harm our business.

Additional Risks Related to the Cannabis Industry

- Cannabis remains illegal under U.S. federal law and, therefore, strict enforcement of U.S. federal laws regarding cannabis would likely result in our inability to execute our business plan.
- Our business and our suppliers are subject to a variety of U.S. and foreign laws regarding financial transactions related to cannabis, which could subject our suppliers to legal claims or otherwise adversely affect our business.

- We may have difficulty accessing or consistently maintaining banking or other financial services relationships and using bankruptcy courts due to our involvement in the regulated cannabis industry.
- We may continue to be subject to constraints on marketing our products.
- Cannabis businesses are subject to unfavorable U.S. tax treatment, which reduces our clients' profitability and could result in decreased demand for our services.
- Cannabis businesses may be subject to civil asset forfeiture.

Risks Related to Our Intellectual Property

- We are, and may in the future be, subject to disputes regarding third party intellectual property rights. These disputes may be costly to defend and could harm our business and operating results.
- Failure to protect or enforce our intellectual property rights could harm our brand and results of operations.

Public Company and Financial Reporting Risks

- Failure to meet the Nasdaq's continued listing requirements could result in a delisting of our Common Stock.
- The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.
- Failure to establish and maintain proper and effective internal control over financial reporting or an effective system of controls could impair our ability to produce accurate and timely financial statements and result in lost investor confidence, lower trading price of our common stock and heightened regulatory scrutiny.
- Our projections are subject to significant risks, assumptions, estimates and uncertainties. As a result, our actual revenues, market share, expenses and profitability may differ materially from our expectations.

Risks Relating to Ownership of our Common Stock

- Our stock price may be volatile and may decline regardless of our operating performance.
- An active trading market for our common stock may not be sustained.
- Future sales of shares by existing stockholders could cause our stock price to decline.
- Delaware law and provisions in our certificate of incorporation and Bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the trading price of our common stock.
- We may issue additional shares of common stock or other equity securities without your approval, which would dilute your ownership interests and may depress the market price of our common stock.
- There is no guarantee that the Warrants will ever be in the money, and they may expire worthless.

Risks Relating to our Indebtedness

- We may not be able to repay our convertible notes at their maturity or to repurchase such notes upon a fundamental change.

Risks Relating to Our Business and Industry

We have a relatively short operating history in a rapidly evolving industry, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

We have a relatively short operating history in an evolving industry that may not develop as we anticipate, if at all. Both our short operating history and the pace of dramatic change in the cannabis industry makes it difficult to assess our future prospects, and you should evaluate our business in light of the risks and difficulties we may encounter as the industry continues to evolve. These risks and difficulties include our ability to, among other things:

- increase the number of users of our website and mobile applications (which we refer to as our "*platform*"), the number of reviews and other content on our platform and our revenue;
- successfully implement and scale our online order reservation system, by attracting new retailers and brands (which we refer to from time to time, collectively, as "*suppliers*") while simultaneously converting visitors to our platform into sales for our suppliers, which is a crucial component of delivering the value of the Leafly platform to our suppliers;
- effectively monetize our mobile applications as usage continues to migrate toward mobile devices;
- retain our existing suppliers and consumers and add new suppliers and consumers to our platform, including in new markets;
- successfully drive sustained engagement on our platform, which can be negatively affected by a number of factors, including if our current and future products result in reduced activity on our platform by facilitating direct interaction between our consumers and suppliers;
- manage, measure and demonstrate the effectiveness of our advertising solutions and attract and retain new advertising partners, many of which may only have limited or no online advertising experience;
- successfully compete with existing and future providers of other forms of offline and online advertising;
- successfully compete with other companies that are currently in, or may in the future enter, the business of providing order reservation, e-commerce, online ordering, and/or delivery services related to cannabis products and services;
- successfully expand our business in new and existing markets, both domestic and international;
- successfully develop and deploy new features and services;
- avoid interruptions or disruptions in our platform or services;
- adapt to rapidly evolving trends in the cannabis industry and the way consumers and cannabis industry businesses interact with technology;
- develop a scalable, high-performance technology infrastructure that can efficiently and reliably handle increased usage globally, as well as the deployment of new features and services;
- hire, integrate and retain talented sales and other personnel;
- effectively manage our sales and other personnel and operations, as appropriate, in response to changing market dynamics in the cannabis industry;
- ability to achieve and maintain a healthy accounts receivable balance, and manage delinquencies and cancellations at reasonable levels;
- effectively partner with other companies; and
- successfully navigate complex, disparate and rapidly evolving regulatory regimes imposed by U.S. and Canadian federal, state and provincial, local and other non-U.S. governments applicable to, or that directly or indirectly impact, cannabis and cannabis-related businesses.

If the demand for our services, including our advertising solutions, does not develop as we expect, or if we fail to address the needs of this demand, our business will be harmed. We may not be able to successfully address these risks and difficulties or others, including those described elsewhere in these risk factors. Failure to adequately address these risks and difficulties could harm our business and cause our operating results to suffer.

The legal cannabis industry and market are relatively new, and this industry and market may not continue to exist or develop as anticipated, or we may ultimately be unable to succeed in this new industry and market.

We are operating our business in a relatively new cannabis industry and market, and our success depends in part on broader consumer adoption of the legal cannabis market. In addition, despite broad public support for cannabis legalization in the United States, the growth of our business is dependent in part upon the continued authorization of cannabis in new jurisdictions, as well as the absence of legislation narrowing, limiting or repealing existing laws legalizing and regulating cannabis, as well as the assumption that federal laws that conflict with certain state-level legalization frameworks will continue to go unenforced. Any one of these factors could slow or halt the legalization or consumer adoption of cannabis, which would negatively impact our ability to grow our business. For additional information, see the risks discussed under the subheadings *"— Regulatory Risks,"* and *"— Additional Risks Related to the Cannabis Industry"*, below.

In addition to being subject to general business risks applicable to a business involving a technology product in a regulated industry, we need to continue to build brand awareness for the Leafly platform and make significant investments in our business strategy, including by introducing new services and platform features into the markets in which we operate, expanding our presence and continuing our regulatory compliance efforts. These activities may not promote our services and platform features as effectively as intended, or at all, and we expect that our competitors will undertake similar investments to compete with us for market share.

Recently, many states have also experienced significant declines in unit pricing for regulated cannabis products, with that decline more pronounced in certain states than in others. As a result, certain regulated cannabis operators have announced that they are consolidating operations or shuttering certain operations to reduce costs. Consolidation of the cannabis markets could reduce the size of our potential supplier base and give remaining suppliers greater bargaining or purchasing power. This may in turn erode the prices we are able to charge for our services and result in decreased margins. Competitive conditions, consumer preferences, supplier requirements and spending patterns in this new industry and market are relatively unknown and may have unique circumstances that differ from other existing industries and markets. Those conditions may cause our efforts to further our business, including promoting our brand awareness, offering high quality services, and attracting and retaining suppliers and consumers, to be unsuccessful or to have undesired consequences that may materially adversely affect our business, financial condition and results of operations. As a result, we may not be successful in our efforts to attract and retain customers or traffic, or to develop and commercialize new products, or these activities may require significantly more resources than anticipated in order to be successful.

Because our business is dependent, in part, upon continued market acceptance of cannabis by consumers, any negative trends could adversely affect our business operations.

We are dependent on public support, continued market acceptance and the proliferation of consumers in the state-level and Canadian legal cannabis markets. The legal cannabis markets and opportunities in the space are unpredictable, making it challenging for us to forecast the future size of the market. Any downturns in, or negative outlooks on, the cannabis industry may adversely affect our business and financial condition.

Expansion of our business in the United States is dependent on the continued and future legalization of cannabis.

Expansion of our business in the United States is, in part, dependent upon continued legislative authorization, including by voter initiatives and referenda, of cannabis at the state level. In 2022 and 2023, ballot measures to allow for adult use succeeded in Maryland, Missouri and Ohio, but failed in Arkansas, North Dakota, South Dakota and Oklahoma. In addition, implementation of state laws is often a multi-year process following a successful ballot initiative or legislative approval. Further, progress for the industry, while encouraging, is not assured. While there may be ample public support for legislative action to legalize cannabis in a particular jurisdiction, numerous factors could impact the legislative process, including lobbying efforts by opposing stakeholders as well as legislators' disagreements about how to legalize cannabis as well as the interpretation, implementation, and enforcement of applicable laws or regulations. For example, many states, including New York, that voted to legalize medical and/or adult-use cannabis have seen significant delays in the drafting and implementation of industry regulations and issuance of licenses. Burdensome regulation at the state level could also slow or stop further development of the cannabis industry, such as limiting the medical conditions for which medical cannabis can be recommended by physicians for treatment, not strictly enforcing regulations for non-licensed cannabis operators, restricting the form in which medical cannabis can be consumed, imposing significant registration requirements on physicians and patients or imposing significant taxes on the growth, processing and/or retail sales of cannabis, which could have the impact of making it difficult for cannabis businesses, including our customers, to operate profitably in those states. Any one of these factors could slow or halt the legalization of cannabis, which would negatively impact our ability to expand our business.

Additionally, the expansion of our business also depends on jurisdictions in which cannabis is currently legalized not narrowing, limiting or repealing existing laws legalizing and regulating cannabis, or altering the regulatory landscape in a way that diminishes the viability of cannabis businesses in those jurisdictions. This result may negatively impact the viability and attractiveness of our service offerings going forward. If such challenges are successful in any jurisdictions that have legalized or are in the process of legalizing cannabis, our ability to expand our business would be negatively impacted. For additional information, see the risks discussed under the subheadings *"— Regulatory Risks,"* and *"— Additional Risks Related to the Cannabis Industry"*, below.

We face intense competition and may not be able to compete effectively.

We currently generate all revenues from the sale of digital advertising solutions to our suppliers, i.e., our retailer and brand customers, that are designed to connect our suppliers to users of the Leafly platform, i.e. consumers, and ultimately convert those consumers into a community of shoppers. To continue to build, sustain and grow our three-sided marketplace, we must successfully compete to attract and retain, and increase engagement between, active consumers and active suppliers. The market for information, advertising and online ordering regarding cannabis products and suppliers is intensely competitive, characterized by low barriers to entry and is rapidly changing with the emergence of new technologies, products, services, market entrants, and types of competitors, including our own customers. For example, we have observed that a greater number of our retailer customers are operating their own order-enabled websites, in many cases attempting to move consumers to their own sites, after converting such consumers into shoppers from Leafly's platform.

We face competition from a range of competitors, including but not limited to: (i) other advertising platforms and online marketplaces such as Weedmaps, Dutchie, Eaze, and iHeartJane; (ii) online media companies that provide news, information, advertising and ordering services, such as High Times, Wikileaf and Allbud; (iii) newspaper, television, and other mainstream media companies such as the New York Times, LA Times and Politico, which provide alternative sources of news and information about cannabis, (iv) offline media companies and service providers; (v) general two-sided markets such as Yelp, internet search engines such as Google, and social media sites such as X (formerly Twitter); (vi) e-commerce platforms like Amazon and Shopify; and (vii) traditional customer relationship management service providers such as SAP and Salesforce. We also compete with these companies for the attention of contributors and consumers and may experience decreases in both if our competitors offer more compelling environments. In addition, we compete with local cannabis retailers, and with companies such as Springbig, Meadow, Leaflink, Growflow and Metrc and others, that sell software and services to such local cannabis retailers, who want to sell from their own websites or run their local businesses independently of a platform such as Leafly's. In addition, we believe DoorDash has entered the business of providing online ordering and/or delivery services related to certain hemp products in the US, and if the laws and regulations governing delivery of legal cannabis change, these companies may in the future enter the business of providing online ordering and/or delivery services related to psychoactive cannabis products.

Our competitors may enjoy competitive advantages, such as greater name recognition, longer operating histories, greater market share, large existing user bases, more favorable regulatory regimes due to disparities in the geographic distribution of customer bases, location of operations or other factors, and greater financial, technical and other resources. These companies may use these advantages to offer services like ours at lower prices, develop different services and platform features to compete with our current solutions and respond more quickly and effectively than we do to new or changing opportunities, technologies, standards or supplier requirements. In particular, if restrictions on cannabis advertising ease, additional major internet companies, such as Alphabet and Meta, may follow X and begin to develop and market online advertising offerings directly to cannabis businesses, and many of our advertising partners and potential advertising partners may choose to purchase online advertising solutions from these competitors and may reduce their purchases of our advertising solutions. In the future, new competitors, business models and solutions are likely to emerge in the cannabis industry.

If we fail to retain our existing suppliers and consumers or acquire new suppliers and consumers, our revenue and revenue growth will decrease and our business, financial condition, and results of operations could be materially adversely affected.

We believe that the success of our business and growth of our revenue are dependent on our ability to cost-effectively grow our platform by retaining our existing suppliers and consumers and adding new suppliers and consumers, including in new markets. We believe the increase in suppliers attracts more consumers to our platform and in turn the increase in consumers attracts more suppliers. This network takes time to build and grows and contracts in ways that are difficult to predict with any accuracy. If we fail to retain our existing suppliers or consumers or to replace such existing suppliers or consumers if they leave our platform, the value of our marketplace would be diminished. In some cases, we compete with our own suppliers to prevent dilution of consumers from our marketplace. For example, we have observed that a greater number of our retailer customers are opting to operate their own order-enabled websites, in many cases attempting to move consumers to their own sites, after converting such consumers into shoppers from Leafly's platform.

We expect to continue to pursue new strategic initiatives and develop new and enhanced services in order to remain competitive, with the goal of acquiring additional suppliers and consumers, which may not be successful. We cannot assure you that the revenue from the suppliers and consumers we acquire will ultimately exceed the cost of acquisition. In addition, if suppliers on our platform were to cease operations, temporarily or permanently, or face financial distress or other business disruption, or if our relationships with suppliers on our platform deteriorate, we may not be able to provide consumers with sufficient supplier selection. This risk has been particularly pronounced in markets where we have fewer suppliers.

Moreover, as the legalization of cannabis continues, cannabis businesses could experience consolidation as existing cannabis businesses seek to obtain greater market share, greater access to funding and resources and purchasing power and new entrants seek to establish a significant market presence. Consolidation of the cannabis markets could reduce the size of our potential supplier base and give remaining suppliers greater bargaining or purchasing power. This may in turn erode the prices for our advertising solutions and result in decreased margins. Consolidation could particularly affect smaller and mid-size cannabis businesses, with whom we have historically conducted the majority of our business. Further, heightened competition between cannabis businesses could ultimately have a negative impact on the viability of individual market participants, which could reduce or eliminate their ability to purchase our services, including our advertising solutions. In addition, as macroeconomic conditions impact our customers, including the resulting effect on advertising and marketing spending by cannabis and retail and brands businesses, the overall size of the market in which we compete may grow more slowly or contract.

For all of these reasons, we may be unable to maintain or grow the number of consumers who use our platform and the number of suppliers that purchase our advertising solutions. Accordingly, we may face pressure to reduce the price of our advertising solutions, which could negatively impact our revenues and cause material adverse impacts to our business, financial condition, and results of operations.

If users do not value the quality and reliability of the reviews and other content that we display on our platform, they may stop or reduce the use of our services, which could adversely impact the growth of our business.

Our success depends in part on the quality of the reviews and other content that we display on our platform, both original content as well as third-party submissions, including whether they are helpful, up-to-date, unbiased, relevant, unique and reliable. If users do not value the content on our platform, they may stop or reduce the use of our services, and traffic to our website and on our mobile application would decline. If our user traffic declines, our suppliers may stop or reduce their use of services or advertising solutions offered on our platform. As a result, our business could be negatively affected if we fail to obtain high quality content from our contributors, or if the content we display is perceived to be unhelpful, out-of-date, biased, irrelevant, not unique or unreliable. We must therefore ensure that our services and platform features are attractive to users, and invite them to contribute. In addition, users who contribute content to our platform may provide content to our competitors. If they do so, the value of our content may decline relative to other available services and platform features, and our business may be harmed.

While we attempt to filter or remove content that may be offensive, biased, unreliable or otherwise unhelpful, we cannot guarantee the effectiveness or adequacy of these efforts. If we fail to filter or remove a significant amount of content that is offensive, biased, unreliable, or otherwise unhelpful, or if we mistakenly filter or remove a significant amount of valuable content, our reputation and brand may be harmed, users may stop using our products, and our business, financial condition, and results of operations could be adversely affected.

Because we recognize most of the revenue from our advertising products over the term of an agreement, a significant downturn in our business may not be immediately reflected in our results of operations.

We recognize revenue from sales of our advertising products over the terms of the applicable agreements, which are generally auto-renewing month-to-month agreements. As a result, a significant decline in new or renewed agreements in any one quarter or an increase in cancellations and/or delinquencies that is not offset by revenue from new or renewed agreements may significantly impact our revenue, which may not be immediately reflected in our financial results. In addition, any efforts we may undertake to adjust our fixed costs in response to reduced revenues may not be successful. We may continue to incur losses in the future for a number of reasons which are difficult to predict, including as a result of fluctuations in the cannabis markets, unforeseen expenses, difficulties, complications and delays, and the other risks described herein and other unknown events. The amount of future net losses will depend, in part, on our ability to generate revenue and manage our operating costs. If we continue to incur losses in the future, any such future losses, together with the net losses and negative cash flows from operations incurred to date, will have an adverse effect on our shareholders' accumulated deficit and working capital. Because of the numerous risks and uncertainties associated with our business and the cannabis industry, as outlined herein, we are unable to accurately predict when, or if, we will be able to achieve profitability. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. If we are unable to achieve and sustain profitability, the market price of our common stock may decrease and our ability to raise capital, expand our business or continue our operations may be impaired. A decline in the value of common stock may also cause you to lose all or part of your investment.

We expect a number of factors to cause our operating results to fluctuate on a quarterly and annual basis, which may make it difficult to predict our future performance.

Our operating results could vary significantly from quarter to quarter and year to year because of a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful. In addition to other risk factors discussed in this section, factors that may contribute to the variability of our quarterly and annual results include:

- our ability to attract new advertising partners and retain existing advertising partners;
- our ability to accurately forecast revenue and appropriately plan our expenses;
- the effects of changes in search engine and app store placement and prominence;
- the effects of increased competition in our business;
- our ability to successfully expand in existing markets and enter new markets, including internationally if the opportunity arises;

- 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 ability of licensed cannabis markets to successfully grow and outcompete illegal cannabis markets;
- our ability to protect our intellectual property;
- our ability to maintain an adequate rate of growth and effectively manage that growth;
- our ability to maintain and increase traffic to our website and mobile application;
- our ability to scale, adapt and keep pace with changes in technology to continue to develop and deploy new software, platform features or services to address the needs of our suppliers and consumers;
- the success of our sales and marketing efforts;
- costs associated with defending intellectual property infringement and other claims and related judgments or settlements;
- changes in laws or regulations affecting our business;
- our ability to operate as a public company, which requires substantial management attention and additional costs;
- interruptions in service and any related impact on our reputation;
- our ability to respond to cyber-attacks;
- the attraction, retention and performance of qualified employees and key personnel, including our executive management team and sales personnel;
- our ability to choose and effectively manage third party service providers;
- our ability to successfully manage any acquisitions of businesses, solutions or technologies;
- the impact of risks related to health crises, such as the COVID-19 pandemic and potential governmental and other restrictions resulting therefrom;
- the effects of natural or man-made catastrophic events;
- changes in consumer behavior with respect to local businesses;
- the effectiveness of our internal controls; and
- changes in our tax rates or exposure to additional tax liabilities.

Our typical practices as they relate to consumer safety and engagement on our platform may pose a risk to our relationships with advertising partners.

We base many of our decisions on the interests of consumers who use our platform. We believe that this approach is essential to our ability to increase our user growth rate and engagement. Our approach of prioritizing consumer safety and engagement may negatively impact our relationships with our existing or prospective advertising partners. For example, we typically refuse to remove legitimate negative reviews and ratings of products or businesses that advertise on our platform. Certain advertisers may therefore perceive us as an impediment to their success as a result of negative reviews and ratings. This practice could result in a loss of advertising partners, which in turn could harm our results of operations.

Operational Risks

We have a history of operating losses, and we may not achieve or maintain profitability in the future, especially as we continue to invest in the growth of our business.

We have incurred significant cumulative operating losses since our inception, including net loss of $9.5 million compared to a net income of $5.1 million for the calendar years ended December 31, 2023 and 2022, respectively. Since October 2022, we have implemented plans to reduce operating expenses, which included headcount reductions. While we took these steps to reduce our expenses, we expect to continue to (i) make strategic investments aligned with our operating plans to support, improve and/or develop our technology infrastructure, platform features, and service offerings; (ii) structure and deploy resources to our marketing and sales operations to align with our near and long-term objectives, while re-evaluating and pivoting as needed to address market and other conditions we face; (iii) pursue strategic opportunities; (iv) meet public company compliance requirements, which are costly and impose substantial demands on management and our operational infrastructure; and (v) otherwise support our operations and growth. If we do not achieve expected savings from our most recent cost-saving measures, or our operating costs increase more than we expect as a result of continued investments in strategic initiatives, our total operating costs would be greater than anticipated. In addition, our inability to manage our costs properly could negatively affect the quality of our products and features and our ability to generate future revenues. Reductions in staff could also adversely affect our ability to attract and retain key employees.

If our efforts to grow our business are more costly than we expect, we may not be able to increase our revenue enough to offset our higher operating expenses. We may incur losses in the future for a number of reasons, including as a result of unforeseen expenses, difficulties, complications and delays, and the other risks described herein and other unknown events. The amount of future net losses will depend, in part, on the growth of our future expenses and our ability to generate revenue. If we continue to incur losses in the future, any such future losses, together with the net losses and negative cash flows from operations incurred to date, will have an adverse effect on our shareholders' accumulated deficit and working capital. Because of the numerous risks and uncertainties associated with our business and the cannabis industry, as outlined herein, we are unable to accurately predict when, or if, we will be able to achieve profitability. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. If we are unable to achieve and sustain profitability, the market price of our common stock may decrease and our ability to raise capital, expand our business or continue our operations may be materially impaired. A decline in the value of our common stock may also cause you to lose all or part of your investment.

There is substantial doubt about our ability to continue as a going concern, with no assurance that we will be able to generate the necessary liquidity in the future to alleviate this condition, which would materially and adversely affect our business, financial condition and results of operations, including, the likely need to significantly modify or terminate our operations and our planned business activities.

Under the rules of Accounting Standards Codification ("ASC") 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 financial statements are issued. In conducting this evaluation, management considers a company's current available cash and projected cash needs over the one-year evaluation period but may not consider things beyond their control. We have $29.7 million of convertible notes, pursuant to a convertible note purchase agreement entered into on January 11, 2022 (the "2022 Notes") maturing on January 31, 2025 (Note 9) and based on our current liquidity position would not be able to repay the 2022 Notes when due. In addition, 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 our 2023 financial statements are issued. In response to these conditions, we took the following actions:

- We implemented previous restructuring plans, most recently in the fourth quarter of 2022 and during the first quarter of 2023, which reduced our labor force and substantially decreased costs in fiscal year 2023 as compared to fiscal year 2022. We still expect to recognize the full-year impact of our 2023 restructuring in 2024.
- During the fourth quarter of 2023, we began exploring opportunities to address the upcoming maturity of our 2022 Notes. In December 2023, we worked with our noteholders and converted $300 of the outstanding principal to equity.
- In early 2024, we began an initiative that we believe will improve our revenues by hiring 8 sales professionals and implementing improved selling strategies.

We continue to monitor and control operating expenses where appropriate, while aiming to ensure the trajectory and viability of the business remains intact. However, we cannot meet our debt maturity obligations without a significant capital infusion or a lender's commitment to refinance our debt. After considering all available evidence, we determined that the combined impact of our cost reduction measures to date, our positive working capital as of December 31, 2023 and planned operations as of December 31, 2023 will not be sufficient to meet our capital requirements for a period of at least twelve months from the date that our December 31, 2023 financial statements are issued. We believe substantial doubt exists about our ability to continue as a going concern within one year of the date our 2023 financial statements are issued. Management will continue to evaluate our liquidity and capital resources.

Our ability to continue as a going concern may depend on our ability to raise additional funds, which we may seek to do through equity or debt financings, or seek to refinance the 2022 Notes. As substantial doubt about our ability to continue as a going concern exists, our ability to raise additional funds through the sale and issuance of equity or debt securities or through bank or other financing could be substantially impaired. There can be no assurance that we will be able to raise additional funds or have access to bank or other financings or even if we have access to such financing, that it will be available on terms commercially acceptable to the Company. If we raise funds by issuing debt securities or preferred stock, or by incurring loans, these forms of financing would have rights, preferences, and privileges senior to those of holders of our common stock. If adequate capital is not available to us when needed, or in the amounts required, we may be forced to terminate, significantly curtail or cease our operations or to pursue other strategic alternatives, including bankruptcy, which may not be available to us. Our consolidated results of operations could be materially adversely affected by these decisions and you could lose all of your investment in the Company.

If we experience further material decline in our retailer client base and brand revenue or fail to expand our brand and retailer client base, our revenue and our business will be harmed.

In the fiscal year ended December 31, 2023, substantially all of our revenue was generated by (a) the sale of advertising solutions, and (b) subscription listing fees. Our ability to grow our business depends on our ability to maintain and expand our brand and retailer client base. To do so, we must convince prospective advertising partners of the benefits of our advertising solutions, including providing additional information and context to those prospective advertisers who may not be familiar with our solutions (such as those in new markets). We must also convince existing and prospective advertising partners alike that our advertising solutions work to their benefit. Additionally, our policy to decline acceptance of advertising or listings from companies that cannot demonstrate proper licensure may cause us to limit our advertising base and forgo certain revenue opportunities. Failure to maintain and expand our advertising partner base could harm our business.

Our advertising partners do not typically have long-term obligations to purchase our services. In addition, we rely heavily on the purchase of advertising solutions by small and medium-sized local businesses, which have historically experienced high failure rates and often have limited advertising budgets. As a result, we have experienced, and may in the future experience, attrition in our advertising partners in the ordinary course of business resulting from several factors, including losses to lower priced competitors, perceptions that our advertising solutions are unnecessary or ineffective, decline in advertising budgets, the impact of the COVID-19 pandemic, closures and bankruptcies. We must continually add new advertising partners both to replace advertisers who choose not to renew their advertising, go out of business or otherwise fail to fulfill their advertising contracts with us, and to grow our business. Our advertising partners' decisions to renew depend on a number of factors, including the degree of satisfaction with our services and their ability to continue their operations and spending levels.

In 2023, we experienced higher than expected rates of customer churn, bad debt expense and collection efforts, manifesting in a 30% decline in ending retail accounts for the year ended December 31, 2023 compared to the year ended December 31, 2022. In addition, our brand revenue dropped by 40% as of the same year-over-year period, as a result of macro challenges pressuring the cannabis industry which impacted and are expected to continue to impact our brand advertising business. If we cannot replace these accounts or if our customers continue to struggle financially or do not remain viable, our ability to generate new revenue, maintain existing revenue or collect on outstanding receivables could be adversely impacted, which could have a material adverse impact on our financial condition and results of operations. See - "*The impact of macroeconomic conditions in the United States and Canada, including the resulting effect on advertising and marketing spending by cannabis retail and brands businesses, may adversely affect our business, operating results and financial condition*," below.

The ratings and reviews that our suppliers receive from our users may also affect advertising decisions by current and prospective advertising partners. For instance, favorable ratings and reviews, on the one hand, could be perceived as obviating the need to advertise, and unfavorable ratings and reviews, on the other hand, could discourage businesses from advertising to an audience they perceive as hostile or cause them to form a negative opinion of our products and user base, which could discourage them from doing business with us. Furthermore, we may remove a supplier's information if it breaches our listing restrictions, which may also affect advertising decisions by current and prospective advertising partners. In addition, the rates at which users and paying brand and retailer customers come on and off our platform fluctuates based on the factors described herein and are difficult to predict. If our customers materially increase their rates of non-renewal, if we experience significant advertising customer attrition, non-payment or other material contract breaches, or if we are unable to attract new advertising customers in numbers greater than the number of advertising customers that we lose, our client base and revenues will decrease and our business, financial condition and results of operations could be materially harmed.

If we do not successfully develop and deploy new software, platform features or services to address the needs of our suppliers and consumers, our business, financial condition, and results of operations could suffer.

We believe our success has been based on our ability to design software, platform features and services that address the needs of our suppliers and consumers. A substantial portion of our research and development activity is focused on new technologies and enhanced versions of existing platform features to meet the current and evolving needs of suppliers and users of our platform, including online order and reservation solutions. Additionally, as consumers and suppliers demand richer data integrations with other cannabis industry participants such as point-of-sale providers and loyalty service providers, third party technology integrations may become increasingly important. If we are unable to arrange or complete new integrations, or improve our existing integrations, we may lose market share to competitors. There is no assurance that our enhancements to our software, platform features or our new services or capabilities will be compelling to our consumers or gain market acceptance. If our research and development investments do not accurately anticipate supplier or consumer demand or if we fail to develop our software, platform features or services in a manner that satisfies supplier or consumer preferences in a timely and cost-effective manner, we may fail to retain our existing suppliers or consumers or increase demand for our services.

The introduction of new products and services by competitors or the development of entirely new technologies to replace existing service offerings could make our platforms obsolete or adversely affect our business, financial condition, and results of operations. We may experience difficulties with software development, design, or marketing that delay or prevent our development, introduction or implementation of new platforms, platform features or capabilities, or cause errors to arise with our existing software. We have in the past experienced delays in our internally planned release dates of new features and capabilities, and there can be no assurance that new platforms, platform features, or capabilities will be released according to schedule. Any delays could result in adverse publicity, loss of revenue or market acceptance, or claims by consumers or suppliers brought against us, any of which could harm our business. Moreover, the design and development of new platforms or new platform features and capabilities to our existing platform may require substantial investment, and we may currently not have the resources to make such investments, and even if we were to make such investments, there is no assurance that such investments would be successful. If consumers or suppliers do not widely adopt our new platforms, platform features, and capabilities, we may not be able to realize a return on our investment and our business, financial condition, and results of operations may be materially, adversely affected.

If we fail to expand effectively into new markets, both domestically and abroad, our revenue and business will be adversely affected.

We intend to expand our operations into new markets, both domestically and internationally. In doing so, we may incur losses or otherwise fail to enter new markets successfully. Our expansion into new markets places us in competitive environments with which we may be unfamiliar and involves various risks, including, among others, the need to invest significant resources and the possibility that returns on such investments will not be achieved for several years, or at all. In attempting to establish a presence in new markets, we expect, as we have in the past, to incur significant expenses and face various other challenges, such as compliance with market-specific laws or regulations, gaining consumer and customer acceptance, and expanding our sales force and community management personnel to cover those new markets. Our current and any future expansion plans will require significant resources and management attention. Furthermore, we have already entered many of the largest existing markets in the United States and further expansion may not yield similar results or sustain our growth.

We may fail to offer the optimal pricing of our services.

We have limited experience in determining the optimal pricing of our services, and we may need to change our pricing model from time to time. For example, 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 our revenue growth in the third and fourth quarters. We charge different rates for the same services in different markets, based on a variety of factors such as the number of local retailers and consumer traffic and engagement. If our suppliers believe the cost of our services do not generate proper return on investment, such suppliers may decline to continue using our services (which we experienced following the pricing changes we implemented in 2023), and if material, our revenue and other financial results may be materially adversely impacted.

We may not timely and effectively scale and adapt our existing technology and network infrastructure to ensure that our platform is accessible.

It is important to our success that users in all geographies be able to access our platform at all times. We have previously experienced, and may experience in the future, service disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, capacity constraints due to an overwhelming number of users accessing our platform simultaneously, denial of service attacks, or fraud, ransomware or security attacks. We may not be able to implement adequate preventative measures or halt such attacks, and we cannot guarantee that applicable recovery systems, security protocols, network protection mechanisms and other procedures are or will be adequate to prevent network and service interruption, system failure or data loss. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. It may become increasingly difficult to maintain and improve the availability of our platform, especially during peak usage times and with more complex solutions and increases in our user traffic, if any. If our platform is unavailable when users attempt to access it or it does not load as quickly as they expect, users may seek other services to obtain the information for which they are looking, and may not return to our platform as often in the future, or at all. This would negatively impact our ability to attract users, suppliers and advertising partners and increase engagement on our website and mobile application. We expect to continue to make strategic investments to maintain and improve the availability of our platform and to enable rapid releases of new features and products. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business and operating results may be materially harmed. Furthermore, any actual or perceived distributed denial of service (“DDoS”) attack, ransomware attack, security breach or other unauthorized access could damage our reputation and brand, result in decreased utilization of our platform, expose us to fines and penalties, government investigations, litigation, require us to expend significant capital and other resources to remediate the incident, and cause increased cybersecurity protection costs. For more information, see “— General Risks - *If our security measures are compromised, or if our platform is subject to* *attacks that degrade or deny the ability of users to access our content, users may curtail or stop use of our platform*" and "*We rely upon cloud-based data centers, infrastructure and technologies provided by third parties, and technology systems and electronic networks supplied and managed by third parties, to operate our business, and interruptions or performance problems with these systems, technologies and networks may adversely affect our business and operating results*" below.

We are in the process of implementing a disaster recovery program, which will allow us to move our platform to a back-up data center in the event of a catastrophe. Although this program is partially functional, it does not provide a real time back-up data center, so if our primary data center shuts down, there will be a period of time that our platform will remain unavailable while the transition to the back-up data center takes place.

We have risks associated with our reliance on third-party service providers who provide certain products and services for certain aspects of our business.

To some extent, we rely on data about certain products or businesses from third parties, including their respective websites and third parties that license such information to us. We also rely on third parties for other aspects of our business, such as mapping functionality and administrative software and back office solutions. From time-to-time, certain third-party service providers (including in the ERP, payroll, HRIS, tax compliance, back office finance and SMS services fields) have terminated their relationship with us based on our involvement in the cannabis industry. Others with whom we may have desired to form a relationship have declined our requests on the same basis. If these third parties decline to work with us, provide inaccurate or incorrect information, experience difficulty meeting our requirements or standards, or our licenses are revoked or not renewed, it could make it difficult for us to operate some aspects of our business, which could damage our reputation. In addition, if such third party service providers were to cease operations, temporarily or permanently, face financial distress or other business disruption, increase their fees or if our relationships with these providers deteriorate, we could suffer increased costs and delays in our ability to provide consumers and advertising partners with content or provide similar services until an equivalent provider could be found or we could develop replacement technology or operations. Furthermore, if a sufficient number of third parties decline to work with us, we may have a limited number of third party service providers available to meet our business needs, which may limit our ability to negotiate favorable prices and terms. In addition, if we are unsuccessful in choosing or finding high-quality partners, if we fail to negotiate cost-effective relationships with them, or if we ineffectively manage these relationships, it could have a material adverse impact on our business and financial performance.

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 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. 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. For more information, see "— *Additional Risks Related to the Cannabis Industry — Leafly's operations may be negatively affected by the way other private companies interpret laws and regulations applicable to the cannabis industry, or their policies and practices with respect to the cannabis industry*," "*Additional Risks Related to the Cannabis Industry — 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*" and "— *Regulatory Risks — We are subject to governmental laws, regulations and other legal obligations, particularly related to privacy, data protection and information security, and any actual or perceived failure to comply with such obligations could harm our business*" below.

Further, through our agreements 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 a material adverse effect on our business and results of operations.

We track certain performance metrics with internal tools and do not independently verify such metrics. Certain of our performance metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

We calculate and track performance metrics with internal tools, which are not independently verified by any third-party. While we believe our metrics are reasonable estimates of our user or supplier base for the applicable period of measurement, the methodologies used to measure these metrics require significant judgment and may be susceptible to algorithm or other technical errors. For example, user accounts are based on email addresses, and a user could use multiple email addresses to establish multiple accounts, and suppliers may have multiple accounts. As a result, the data we report may not be accurate. Our internal tools and processes we use to identify multiple accounts or fraudulent accounts have a number of limitations, and our methodologies for tracking key metrics may change over time, which could result in unexpected changes to our metrics, including historical metrics. Furthermore, the key metrics we rely on to track our performance may also change over time, which could make it difficult to compare our results and performance to prior periods. For more information regarding such metrics, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Metrics.*" Our ability to recalculate our historical metrics may be impacted by data limitations or other factors that require us to apply different methodologies for such adjustments and we generally do not intend to update previously disclosed metrics for any such changes. Though we regularly review our processes for calculating metrics and may adjust our processes for calculating metrics to improve their accuracy, limitations or errors with respect to how we measure data (or the data that we measure) may affect our understanding of certain details of our business, which could affect our longer term strategies. If our performance metrics are not accurate representations of our business, user or supplier base, or traffic levels; if we discover material inaccuracies in our metrics; or if the metrics we rely on to track our performance do not provide an accurate measurement of our business, user or supplier base or traffic levels, we may not be able to effectively implement our business strategy, our reputation may be harmed, and our operating and financial results could be adversely affected.

Our suppliers and investors rely on our key metrics as a representation of our performance. If these third parties do not perceive our user metrics to be accurate representations of our user base or user engagement, or if we discover material inaccuracies in our user metrics, our investors could bring lawsuits against us, our reputation may be harmed and retailers may be less willing to list a business on our platform, which could materially negatively affect our business, financial condition, or results of operations.

We may be unable to prevent others from aggregating or misappropriating data from our websites, which could materially adversely impact our brand and business.

From time to time, third parties have copied information from our platform, through website scraping, artificial intelligence or other means, and publish or aggregate it with other information for their own benefit. While we aggressively enforce our copyrights, we have no assurance that third parties will not copy, publish or aggregate content from our platform. We may not be able to detect such third party conduct in a timely manner and, even if we could, any actions we may have available to us may not prevent such conduct or be insufficient to protect us against the impact of such conduct. In some cases, particularly in the case of websites operating outside of the United States and Canada, our available remedies may be inadequate to protect us against such practices due to a variety of potential issues, including uncertain common law protections, jurisdictional issues, lack of adequate remedies under applicable law and difficulty in identifying potential defendants. In addition, any measures that we would need to take to try to enforce our rights and protect our assets could require us to expend significant financial or other resources, which may still be inadequate and could materially harm our business, operating results or financial condition. When third parties copy, publish, or aggregate content from our platform, we believe such activity may create confusion among our consumers and suppliers, make these third parties more competitive, decrease the likelihood that consumers will visit our platform to find the information they seek, and reduce the distinctiveness of our products in the marketplace, which could negatively affect our brand and business.

Real or perceived errors, failures, or bugs in our platform could adversely affect our operating results and growth prospects.

We update our platform on a frequent basis. Despite efforts to test our updates, we have discovered and expect we will continue to discover errors, failures and bugs in our platform and anticipate that certain of these errors, failures and bugs will only be discovered and remediated after deployment to suppliers. Real or perceived errors, failures or bugs in our platform could result in negative publicity, security incidents, such as data breaches, government inquiries, loss of or delay in market acceptance of our platform, loss of competitive position, or claims by suppliers for losses sustained by them. In such an event, we may be required, or may choose, for supplier relations or other reasons, to expend additional resources in order to help correct the problem.

We implement bug fixes and upgrades as part of our regular system maintenance, which may lead to system downtime. Even if we are able to implement the bug fixes and upgrades in a timely manner, any history of inaccuracies in the data we collect for our suppliers, or unauthorized access or damage to, or the loss, acquisition, or inadvertent release or exposure of confidential or other sensitive data could cause our reputation to be harmed and result in claims against us, and cannabis businesses may elect not to purchase our products or, in the case of existing suppliers, renew their agreements with us or we may incur increased insurance costs. The costs associated with any material defects or errors in our software or other performance problems may be substantial and could harm our operating results and growth prospects.

We rely on traffic to our website from search engines like Google, Yahoo!, Bing and DuckDuckGo, as well as paid digital advertising and social media marketing. If our website fails to rank prominently in unpaid search results, traffic to our website could decline and our business would be adversely affected.

Our success depends in part on our ability to attract users through unpaid internet search results on search engines like Google, Yahoo!, Bing and DuckDuckGo. In total, search engines accounted for the majority of the sessions on our website during 2023. The number of users we attract to our website from search engines is due in large part to how and where our website ranks in unpaid search results. These rankings can be affected by a number of factors, many of which are not in our direct control, and they may change frequently. For example, a search engine may change its ranking algorithms, methodologies or design layouts. As a result, links to our website may not be prominent enough to drive traffic to our website, and we may not be in a position to influence the results. In some instances, search engine companies may change these rankings in order to promote their own competing services or platform features or the services or platform features of one or more of our competitors. Our website has experienced fluctuations in search result rankings in the past, and we anticipate fluctuations in the future. Any reduction in the number of users directed to our website could adversely impact our business and results of operations, particularly if our competitors are permitted to engage in paid promotion.

Google in particular is the most significant source of traffic to our website, accounting for nearly all of the search engine-generated sessions on our platform in 2023. Since Google does not allow us to engage in paid promotion of our website, we rely on organic prominence. Our success depends in part on our ability to maintain a prominent presence in search results for queries regarding local businesses on Google. Given the large volume of traffic to our website and the importance of the placement and display of results of a user's search, the continued inability to engage in paid promotion could have a substantial negative effect on our business and results of operations.

Our ability to place digital advertisements for the Leafly platform is constrained because certain large digital ad networks, such as those owned or operated by Alphabet, Amazon, Microsoft and Meta, do not allow us to advertise. As a result, we are limited to digital ad placements on independently owned websites, such as certain local news websites.

Visits to Leafly could also decline if our accounts on Facebook, Instagram or X (formerly Twitter) are shut down or restricted. We work across these social networks to increase brand awareness of our company by consumers and suppliers, and to promote the acquisition of brand and retailer clients. Our engagement on these social media platforms is subject to their respective terms of service and community guidelines, which generally restrict the promotion, sale and, often, depiction of cannabis. While we do not promote the sale of cannabis or cannabis-related products by our suppliers on these social media platforms, the perception that we may be engaging in such promotion or our inadvertent violation of other aspects of these platforms' terms of service or community guidelines may result in our accounts being shut down or restricted. Any such suspension or restriction could result in reduced traffic to our website and diminished demand for our services, which could adversely affect our business and operating results.

Additionally, any of these companies, or others that we encounter in the future, may make significant changes to their respective business models, policies, systems, plans or ownership that could directly or indirectly impair our ability to attract users, which would adversely affect our business and operating results.

If our current marketing model is not effective in attracting new brand and retailer clients, we may need to employ higher-cost sales and marketing methods to attract and retain brand and retailer clients, which could adversely affect our profitability.

We use our sales team to build relationships with our supplier base. Our sales team builds and maintains relationships with suppliers primarily through phone and email contact, which is designed to allow us to cost-effectively service a large number of suppliers. We may need to employ more resource-intensive sales methods, such as increasing our enterprise or field sales teams, to continue to attract and retain brand and retailer clients, particularly as we increase the number of our brand and retailer clients and our supplier base employs more sophisticated marketing operations, strategies and processes. This could cause us to incur higher sales and marketing expenses, which could adversely affect our business and operating results.

Our mobile applications are important components of our business, and they present unique risks.

Our mobile applications, including mobile web-based access, represent a significant portion of our user traffic. If we fail to deliver compelling platform features and services or effective advertising solutions, our business may suffer.

We have experienced challenges with Apple's AppStore and Google's Play Store with regard to the implementation of certain features in our iOS and Android applications, respectively. Historically, Apple did not permit us to deploy our "Pickup" online order reservation features to users based in the United States, although Apple now allows consumers to pre-order through iOS applications. Apple has on occasion rejected application updates for various reasons, including the claimed basis that digital advertising for cannabis violates their Terms of Service. When necessary, we have implemented workarounds, including directing users to mobile web applications; however, these solutions are suboptimal, can be frustrating to users, and could hinder awareness or adoption of platform features or services which are important to our future growth. If we experience difficulties in the future in integrating our mobile application into mobile devices or if problems arise with our relationships with providers of mobile operating systems or mobile application download stores, such as those of Apple or Google, or if our applications receive unfavorable treatment compared to the promotion and placement of competing applications, such as the order of our products in the Apple AppStore or the Google Play Store, or if we face increased costs to distribute our mobile application, our future growth and our results of operations could suffer.

We rely upon cloud-based data centers, infrastructure and technologies provided by third parties, and technology systems and electronic networks supplied and managed by third parties, to operate our business, and interruptions or performance problems with these systems, technologies and networks may adversely affect our business and operating results.

We rely on data centers and other technologies and services provided by third parties in order to host our cloud-based infrastructure on which we operate our business. If any of these services becomes unavailable or otherwise is unable to serve our requirements due to extended outages, interruptions, or facility closure, or because it is no longer available on commercially reasonable terms, our expenses could increase, our ability to manage finances could be interrupted and our operations could be disrupted or otherwise impacted until appropriate substitute services, if available, are identified, obtained, and implemented.

We do not control, or in some cases have limited control over, the operation of the data center facilities and infrastructure we use, and they are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures, cyberattack, terrorism and similar other events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct, to adverse events caused by operator error, and to interruptions, data loss or corruption, and other performance problems due to various factors, including introductions of new capabilities, technology errors, infrastructure changes, DDoS attacks, or other security-related incidents, and our business interruption or cyber insurance may be insufficient to compensate us for related losses that may occur. Changes in law or regulations applicable to data centers in various jurisdictions could also cause a disruption in service. Despite precautions taken at these facilities, the occurrence of a natural disaster, an act of terrorism or other act of malfeasance, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in our platform operations and the loss, corruption of, unauthorized access to or acquisition of supplier or consumer data.

Our platform also depends on our ability to communicate through the public internet and electronic networks that are owned and operated by third parties. In addition, in order to provide our solutions on-demand and promptly, our computer equipment and network servers must be functional 24 hours per day, which requires access to telecommunications facilities managed by third parties and the availability of electricity, which we do not control. A severe disruption of one or more of these networks or facilities, including as a result of utility or third-party system interruptions, could impair our ability to process information and provide our solutions to our suppliers and consumers.

Any unavailability of, or failure to meet our requirements by, third-party data centers or other third-party technologies or services, or any disruption of the internet, utilities or the third-party networks or facilities that we rely upon, could impede our ability to make our platform accessible, harm our reputation, result in reduced traffic from consumers, cause us to issue refunds or credits to our suppliers, and subject us to potential liabilities. Any of these circumstances could adversely affect our business, reputation and operating results.

We face potential liability and expense for legal claims based on the content on our platform.

We provide educational information regarding the use and potential effects of various types of cannabis products through our platform, including information regarding potential therapeutic uses for cannabis. If our content, or content we obtain from third parties, contains inaccuracies or perceived inaccuracies, it is possible that consumers or others may sue us for various causes of action. Although our website and mobile applications contain terms and conditions, including disclaimers of liability, that are intended to reduce or eliminate our liability, the law governing the validity and enforceability of online agreements and other electronic transactions is evolving. We could be subject to claims by third parties that our online agreements with consumers that provide the terms and conditions for use of our websites and mobile applications are unenforceable. A finding by a court that these agreements are invalid and that we are subject to liability could harm our business and require costly changes to our business.

For content that we publish or provide ourselves, we have editorial procedures in place to provide quality control of the information. However, we cannot provide assurance that our editorial and other quality control procedures will be sufficient to ensure that there are no errors or omissions in particular content. Even if potential claims do not result in liability to us, investigating and defending against these claims could be expensive and time-consuming and could divert our management's attention away from our operations. In addition, our business is based on establishing the reputation of our platform as a trustworthy and dependable source of educational information. Allegations of impropriety or inaccuracy, even if unfounded, could harm our reputation and business.

We also face potential liability and expense for legal claims relating to the information that we publish on our website and mobile application, including claims for defamation, libel, negligence and copyright or trademark infringement, among others. For example, businesses in the past have claimed, and may in the future claim, that their search result display is arbitrary or improper, that we are responsible for third party infringement, that our editorial content is defamatory, or that we are responsible for defamatory reviews posted by our users.

We expect claims like these to continue, and these claims could divert management time and attention away from our business and result in significant costs to investigate and defend, regardless of the merits of the claims. In some instances, we may elect or be compelled to remove or re-order content or may be forced to pay substantial damages if we are unsuccessful in our efforts to defend against these claims. If we elect or are compelled to remove or re-order valuable content from our website or mobile application, our platform may become less useful to consumers and our traffic may decline, which could have a negative impact on our business and financial performance.

We may need to raise additional capital, which may not be available on favorable terms, if at all, causing dilution to our stockholders, restricting our operations or adversely affecting our ability to operate our business.

We intend to continue to make investments to support our operating plan and strategic objectives and may require additional funds to respond to business challenges and opportunities, including the need to develop new platform features and services or enhance our existing services, improve our operating infrastructure or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds to support the foregoing and to fund our other obligations, including paying the principal on our 8% convertible notes, which mature on January 30, 2025. See the risks discussed below under the heading "*— Risks Relating to our Indebtedness*." If we raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Debt financing, if available, may involve higher interest rates than our current indebtedness, resulting in increased debt service payments and agreements that include equity conversion rights and financial and other covenants on terms that are more favorable to lenders, limiting or restricting our ability to take specific actions, such as incurring additional debt, expending capital, pursuing certain business opportunities or declaring dividends.

Disruption, uncertainty or volatility in the capital markets could increase our cost of capital or limit our ability to raise funds needed to operate our business. Disruptions could be caused by Federal Reserve policies and actions, currency concerns, interest rates, inflation, economic downturn or uncertainty, monetary policies, failures of financial institutions, U.S. debt management concerns, and U.S. debt limit and budget disputes, including government shutdowns, European and worldwide sovereign debt concerns, other global or geopolitical events, or other factors. Macroeconomic conditions in 2023 negatively impacted the U.S. banking sector, including for example, the closures and Federal Deposit Insurance Corporation ("FDIC") receiverships of Silicon Valley Bank and Signature Bank. Although we did not have any accounts at or business relationships with these banks, we may be negatively impacted by other disruptions to the U.S. banking system caused by these or similar developments in the future.

We may not be able to obtain additional financing on terms favorable to us, if at all, including as a result of conditions in the markets in which we operate, macroeconomic conditions (like those discussed in the paragraph above or a severe or prolonged economic downturn), our financial condition and operating plans. Due to the current legal status of cannabis under U.S. federal law, we have experienced, and may in the future experience, difficulty attracting additional debt or equity financing. In addition, the current legal status of cannabis may increase our cost of capital now and in the future. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, our business may be harmed, our stock price may fall, and you may lose your investment.

We may acquire other companies or technologies, which could divert our management's attention from the business, result in additional dilution to our stockholders and otherwise disrupt our operations and harm our operating results.

Our success will depend, in part, on our ability to expand our service offerings and grow our business in response to changing technologies, user, supplier and advertising partner demands and competitive pressures. In some circumstances, we may determine to do so through acquisitions, mergers, partnerships, joint ventures or other strategic transactions with complementary businesses or technologies rather than through internal development. We have limited experience acquiring other businesses and technologies. The pursuit of potential acquisitions may divert the attention of management and cause us to incur expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated. Furthermore, even if we successfully acquire additional businesses or technologies, we may not be able to integrate the acquired personnel, operations and technologies successfully, or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from the acquired business or technology. In addition, we may inherit liabilities from future acquisitions that arise after the acquisition and are not adequately covered by indemnities. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our financial condition and results of operations. If an acquired business or technology fails to meet our expectations, our business, financial condition, and results of operations may suffer.

Regulatory Risks

Our business is dependent on U.S. state laws and regulations and Canadian federal and provincial laws and regulations pertaining to the cannabis industry.

In the United States, despite cannabis being legalized under state law in some form in many states and notwithstanding the federal government's tolerance of state legalization schema, cannabis continues to be categorized as a Schedule I controlled substance under the federal Controlled Substances Act ("CSA"). The CSA makes it a federal crime to possess, grow, process, distribute, or sell cannabis or cannabis products in the United States, even in states in which medical or recreational cannabis has been legalized under state law. It is also a federal crime to aid and abet another in possessing, growing, distributing, processing or selling cannabis or cannabis products, and it can be illegal to engage in certain transactions with those possessing, growing, distributing, processing, or selling cannabis or cannabis products, if the goal of the transactions is to promote those activities or conceal that the source of the proceeds in the transaction came from those activities. Notwithstanding the CSA, U.S. states which have legalized the sale of cannabis products have enacted their own regulatory regimes. These regimes vary from state to state, and some of the rules and regulations directly or indirectly affect our platform. We do not possess, grow, distribute, process, or sell cannabis in the United States. However, there is a risk that federal prosecutors may seek to apply the CSA and other laws to us, that U.S. courts may change their interpretation of the CSA, and that violations of any U.S. federal laws and regulations, such as the CSA, could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings initiated by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture.

In Canada, the Cannabis Act legalized the commercial cultivation and processing of cannabis for medical and adult-use purposes in Canada and created a federal legal framework for controlling the production, distribution, promotion, sale and possession of cannabis. The Cannabis Act also provides the provinces and territories of Canada with the authority to regulate other aspects of adult-use cannabis, such as distribution, sale, minimum age requirements (subject to the minimum set forth in the Cannabis Act), places where cannabis can be consumed, and a range of other matters. The governments of every

Canadian province and territory have implemented regulatory regimes for the distribution and sale of cannabis for recreational purposes. In addition, the Cannabis Act provides that it is prohibited to publish, broadcast or otherwise disseminate, on behalf of another person, with or without consideration, any promotion that is prohibited by a number of sections of the Cannabis Act. The Cannabis Act therefore includes provisions that could apply to certain aspects of our business, both directly to the solutions we provide and indirectly on account of any noncompliance by those who use our offerings. As required by the Cannabis Act, the Canadian Minister of Health convened an expert panel to conduct a legislative review of the Cannabis Act. The panel delivered an interim "What We Heard" report in October 2023, which emphasized, among other things, the continued need for access to cannabis and the protection of public health and safety. A final report is due no later than March 2024, which will focus on providing advice and recommendations on areas of the legislative framework and its implementation that may benefit from improvement or reform. Although the interim report did not identify any concerns currently relevant to Leafly's business model and thus we do not anticipate any adverse regulatory changes, the final report may recommend changes that may have negative impacts on the cannabis industry and our business.

Laws and regulations affecting the cannabis industry in U.S. states and Canada are continually changing. Any change in regulations or even the speed of changes to regulations, more vigorous enforcement thereof or other unanticipated events could require us to incur substantial costs associated with compliance, to alter our business plan or give rise to material liabilities, and could materially and adversely affect our operations, revenue, and profitability. The commercial cannabis industry is still a young industry, and we cannot predict the impact of the compliance regime to which our business may be subject. Although we have not yet been required to obtain any cannabis license as a result of existing cannabis regulations, it is possible that regulations may be enacted in the future that will require us to obtain such a license in order to provide our services in a particular jurisdiction or that will otherwise seek to substantially regulate our business and there can be no assurances that we will be able to obtain such licenses. These laws change frequently and may be difficult to interpret and apply. For example, the New York Office of Cannabis Management ("NY OCM") recently adopted rules that significantly impede Leafly's ability to do business in New York under its current business model. We filed a legal challenge against the NY OCM, alleging that, among other things, the rules were unconstitutional restrictions on commercial speech, were arbitrary and capricious, and were promulgated in excess of NY OCM's authority. The New York Supreme Court, the state's trial level court of general jurisdiction, granted Leafly a preliminary injunction while the case proceeds. If the ultimate ruling is adverse to Leafly, our business in New York is likely to be adversely affected.

Given the concentration of our revenue from the sale of subscriptions to retailers to list their products, any increase in the stringency of any applicable laws, including U.S. state, or Canadian federal, provincial or territorial laws and regulations relating to cannabis, or any escalation in the enforcement of such existing laws and regulations against the cannabis industry within any jurisdiction, could negatively impact the profitability or viability of cannabis businesses in such affected jurisdictions, which in turn could materially adversely affect our business and operating results.

For more information regarding risks the cannabis industry may present to our business, see the subsection entitled "—*Additional Risks Related to the Cannabis Industry*," below.

Federal law enforcement may deem our suppliers to be in violation of U.S. federal law, in particular the CSA. An adverse change in U.S. federal policy on cannabis enforcement and strict enforcement of federal cannabis laws against our suppliers would undermine our business model and materially affect our business and operations.

Except in limited circumstances, U.S. federal law, and more specifically the CSA, proscribes the cultivation, processing, distribution, sale, and possession of cannabis. Although the Agriculture Improvement Act of 2018 removed hemp and hemp-derived cannabinoids that test below 0.3% delta-9 THC from the definition of "marihuana" in the CSA, and Omnibus Spending bills (described below) have protected state medical cannabis programs, cannabis remains a Schedule 1 controlled substance in the United States and is currently illegal under U.S. federal law. Even in those U.S. states in which the possession, growing, processing, distribution, sale and use of cannabis and cannabis products has been legalized, these activities continue to violate U.S. federal law. Additionally, in 2018, a series of memoranda and guidance from 2009 to 2014 that generally directed U.S. Attorneys not to enforce federal cannabis laws against actors who were in compliance with state guidance were formally rescinded and have never been formally reinstated. Since U.S. federal laws criminalizing the cultivation, processing, distribution, sale and possession of cannabis pre-empt state laws that legalize the same, continuation of U.S. federal law in its current state regarding cannabis could limit our ability to do business in the United States. As a result, U.S. federal law enforcement authorities, in their attempt to regulate the illegal or unauthorized production, distribution, promotion, sale, possession or use of cannabis, may seek to bring criminal actions against our suppliers under the CSA or other federal criminal laws. If our suppliers are found to be violating U.S. federal law relating to cannabis, they may be subject not only to criminal charges and convictions, but also to forfeiture of property, significant fines and penalties, disgorgement of profits, administrative sanctions, cessation of business activities, or civil liabilities arising from proceedings initiated by either the U.S. government or private citizens. Any of these actions or consequences to our suppliers could have a material adverse effect on our business, financial condition, and results of operations, or could force us to cease operations, and as a result, our investors could lose their entire investment.

Further, to the extent any law enforcement actions require us to respond to subpoenas, or undergo search warrants, including for supplier records, cannabis businesses could elect to cease using our products. Until the U.S. federal government changes the laws with respect to cannabis, and particularly if the U.S. Congress does not extend the Omnibus Spending Bill's protection of state medical cannabis programs (described below) to apply to all state cannabis programs, U.S. federal authorities could more strictly enforce current federal prohibitions and restrictions. An increase in federal enforcement against companies licensed under state cannabis laws could negatively impact the state cannabis industries and, in turn, our business, financial condition, results of operations, brand and reputation.

For more information regarding risks the cannabis industry may present to our business, see the subsection entitled "—*Additional Risks Related to the Cannabis Industry*."

The laws and regulations regarding hemp-derived cannabinoids are unsettled, and an adverse change in U.S. federal policy towards our suppliers would materially affect our business and operations.

Some of our suppliers sell products containing hemp-derived cannabinoids, including CBD and certain forms of THC (including but not limited to delta-8 THC, THCA and THCO). Until 2018, hemp and hemp extracts (except mature stalks, fiber produced from the stalks, oil or cake made from the seeds and any other compound, manufacture, salt derivative, mixture or preparation of such parts) were classified by the federal government as "marihuana" under the CSA. The Agricultural Act of 2014, Pub. L. 113-79 (the "2014 Farm Bill") and the Agriculture Improvement Act of 2018, Pub. L. 115-334 (the "2018 Farm Bill"), altered hemp's status, such that hemp (which must, by definition, contain no more than 0.3% delta-9 THC on a dry weight basis) and hemp extracts, including CBD, are no longer defined as "marihuana" nor classified as a controlled substance.

The 2018 Farm Bill was set to lapse on September 30, 2023, but has been extended until September 30, 2024 by virtue of a Continuing Resolution passed by Congress and signed into law by President Biden. While many observers anticipate that a new farm bill will be passed and that it will contain hemp provisions similar to the 2018 Farm Bill, there can be no guarantees that a new farm bill will be authorized, or that it will contain similar provisions. If the exemption for hemp-derived products is eliminated or significantly narrowed or otherwise altered, it would negatively impact some of our existing customers who sell or advertise hemp-derived products and in turn affect our ability to provide advertising services to such customers, which could have a material adverse effect on our business, financial condition, and results of operations.

The U.S. Food and Drug Administration ("FDA") takes the position that the Food, Drugs & Cosmetics Act significantly limits the legality, marketing and sale of food and beverages containing hemp-derived cannabinoids and compounds (including CBD, THC, CBN, etc.) and that existing regulatory frameworks are not appropriate to regulate such products. The FDA has announced that it intends to work with Congress to determine new regulatory pathways. The Drug Enforcement Administration ("DEA") has issued several non-binding communiques addressing hemp-related issues, including the allegedly synthetic nature of certain hemp derived products and the required means of testing total THC. Some of DEA's conclusions seem to be at odds with the plain language of the Farm Bill and/or the Ninth Circuit Court of Appeals decision in AK Futures v. Boyd Street Distro, which is only binding in some western states. Without a regulatory framework in place, FDA and/or DEA may take enforcement action, and other courts may reach the same or differing conclusions as the Ninth Circuit.

If we or our suppliers are found to be violating U.S. federal law or state law relating to hemp-derived products, we or they may be subject not only to criminal charges and convictions, but also to forfeiture of property, significant fines and penalties, disgorgement of profits, administrative sanctions, cessation of business activities, or civil liabilities arising from proceedings initiated by either the U.S. government or private citizens. Any of these actions or consequences to our suppliers could have a material adverse effect on our business, financial condition, and results of operations.

In the absence of federal regulation, a growing number of state governments have passed state-level legislation to regulate the legality, production, and sale of certain hemp-derived products. Some states impose licensing and regulatory requirements for the cultivation, processing, transportation, or distribution of hemp and hemp products. Many states also impose restrictions on the type of products that may be sold, including prohibiting the sale of certain hemp extracts (including delta-8 THC) or certain formats (such as ingestible products or smokable hemp), or limiting the manner in which they may be sold by, for example, prohibiting health claims in advertising. States could change their laws and make the requirements to grow, process, transport, advertise and distribute hemp and hemp products more difficult. States could also investigate whether or determine that we or our suppliers were found to be operating in violation of state law. Any of these actions or consequences could have a material adverse effect on our business, financial condition, and results of operations.

Allowing unlicensed or noncompliant businesses to access our services or allowing businesses to use our services in a noncompliant manner, including engaging in false or deceptive business practices, may subject us to legal or regulatory enforcement and/or negative publicity, which could adversely impact our business, operating results, financial condition, brand and reputation.

Our suppliers are contractually required to represent, warrant and covenant to us that they conduct their business in compliance with applicable state, municipal and provincial laws, and rules, which includes any applicable licensing requirements and the regulatory framework enacted by each state, municipality or province in which they do business. Suppliers further contractually agree to indemnify us for any damages we may suffer as a result of their noncompliance, and there is no guarantee that such suppliers will be able to fulfill such indemnification obligations. We rely on our suppliers' contractual representations, and generally do not verify them, other than with respect to the licensed status of our suppliers operating cannabis retail and brands (i.e., product) businesses. We require suppliers to provide proof of valid corporate existence at the time we initially onboard them, or, if we understand that state or municipal law requires a separate cannabis license, to submit a valid, unexpired state-issued license number. We do not routinely validate whether that license number remains valid during the term of our suppliers' use of our services. As a result, some of our suppliers or their listings currently and in the future may not be in compliance with licensing and related requirements under applicable state, municipal or provincial laws and regulations. Any potential legal enforcement actions against any of our suppliers selling cannabis for being unlicensed or insufficiently licensed could negatively impact us.

Any legal or regulatory enforcement against us based on the business solutions that we offer, the third-party content available on our platform or noncompliance by our suppliers with licensing and other legal requirements, could subject us to various risks, including monetary penalties and the risk that we elect or are compelled to remove content from our platform and would likely cause us to experience negative publicity. Any of these developments could materially and adversely impact our business, financial condition, results of operations, brand, and reputation.

We generally do not, and cannot, ensure that our suppliers will conduct their business activities in a manner compliant with regulations and requirements applicable to the cannabis industry. As a result, federal, state, provincial or local government authorities may seek to bring criminal, administrative or regulatory enforcement actions against our

suppliers, which could have a material adverse effect on our business, operating results or financial conditions, or could force us to cease operations.

We offer features and services on our platform to support our suppliers' compliance with certain regulations and other legal requirements applicable to the cannabis industry, such as (a) collecting medical marijuana cardholder information to assist dispensaries with their verification obligations, (b) age-gating in accordance with applicable state regulations, (c) reviewing cannabis license information for operational cannabis suppliers, both on submission and on a periodic ongoing basis, to ensure validity and accuracy and (d) requiring operational cannabis suppliers, including storefronts and delivery services, to provide a valid, unexpired state-issued license number before accepting their listings or advertisements on our platform. However, we generally do not, and cannot, ensure that our suppliers will conduct their business activities in a manner compliant with such regulations and requirements, in whole or in part. Their legal noncompliance could result in regulatory and even criminal actions against them by federal, state or provincial authorities, which could result in a material adverse impact on our business and operating results or financial condition, and as a result, our investors could lose their entire investment.

For additional information, see the other risk factors in this subsection entitled "— *Regulatory Risks*," including "— *Allowing unlicensed or noncompliant businesses to access our products, or allowing businesses to use our solutions in a noncompliant manner, including engaging in false or deceptive business practices, may subject us to legal or regulatory enforcement and/or negative publicity, which could adversely impact our business, operating results, financial condition, brand and reputation.*" Additionally, see the subsection entitled "— *Additional Risks Related to the Cannabis Industry*."

We are subject to governmental laws, regulations and other legal obligations, particularly related to privacy, data protection and information security, and any actual or perceived failure to comply with such obligations could harm our business.

We are subject to regulation by various federal, state, provincial, local and foreign governmental authorities, including those responsible for monitoring and enforcing employment and labor laws, anti-bribery laws, lobbying and election laws, securities laws and tax laws. These laws and regulations are subject to change over time and thus we must continue to monitor and dedicate resources to ensure continued compliance.

In addition, our business is subject to regulation by various federal, state, provincial and foreign governmental agencies responsible for monitoring and enforcing privacy and data protection laws and regulations. Numerous foreign, federal and state laws and regulations govern collection, dissemination, use and confidentiality of personally identifiable health information that may impact our business, potentially including state privacy and confidentiality laws (including state laws requiring disclosure of breaches); federal and state consumer protection and employment laws, and other data protection laws.

We receive, store, process, and use personal information and other user content. The regulatory framework for privacy issues worldwide, including in the United States, is rapidly evolving and is likely to remain uncertain for the foreseeable future, as many new laws and regulations regarding the collection, use and disclosure of personally identifiable information ("PII"), and other data have been adopted or are under consideration and existing laws and regulations may be subject to new and changing interpretations. In the United States, the Federal Trade Commission and many state attorneys general are applying federal and state consumer protection laws to impose standards for the online collection, use and dissemination of data. In addition, although we do not believe we are subject to the requirements of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), we are aware that at least one state regulator has taken the position that HIPAA does apply to some of our suppliers. In the event we become subject to HIPAA, our costs related to PII would increase.

Many foreign countries and governmental bodies, including Canada and the European Union ("E.U."), and other relevant jurisdictions where we conduct business have laws and regulations concerning the collection and use of PII and other data obtained from their residents or by businesses operating within their jurisdiction. These laws and regulations often are more restrictive than those in the United States. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure and security of data that identifies or may be used to identify or locate an individual, such as names, email addresses and, in some jurisdictions, internet protocol addresses and other types of data. The California Consumer Privacy Act of 2018 and its implementing regulations, as amended (the "CCPA"), which went into effect on January 1, 2020, establishes data privacy rights for consumers and compliance requirements for businesses doing business in California. Moreover, California voters approved the California Privacy Rights Act, (the "CPRA"), in November 2020. The CPRA significantly modifies the CCPA, creating obligations relating to consumer data beginning on January 1, 2023, with implementing regulations expected on or before July 1, 2023, and enforcement beginning July 1, 2023. Other states have adopted similar laws and regulations that go into effect in 2023, including Virginia, Colorado, Connecticut and Utah. In Canada, the federal Personal Information Protection and Electronic Documents Act (the "PIPEDA") governs the collection, use and disclosure of PII in many provinces in Canada, and though it is silent with respect to territorial reach, the Federal Court of Canada has found that PIPEDA will apply to businesses established in other jurisdictions if there is a "real and substantial connection" between the organization's activities and Canada. Provincial privacy commissioners take a similar approach to the interpretation and application of provincial private-sector privacy laws equivalent to PIPEDA. Further, Canada has robust anti-spam legislation. Organizations sending commercial electronic messages to individuals must either have express consent from the individual in the prescribed form or the situation must qualify as an instance of implied consent or other authorization set out in Canada's Anti-Spam Legislation (the "CASL"). The penalties for non-compliance under CASL are significant and the regulator, the Canadian Radio-Television and Telecommunications Commission, is active with respect to enforcement. In addition, the E.U.'s General Data Protection Regulation (the "GDPR"), which went into effect in May 2018, requires subject companies to implement and maintain comprehensive information privacy and security protections with respect to personal data (data that relates to an identified or identifiable individual) about persons in the E.U. that is collected or processed by such companies. The GDPR provides for substantial penalties for noncompliance.

Although we are working to comply with those federal, state, provincial and foreign laws and regulations, industry standards, governmental standards, contractual obligations and other legal obligations that apply to us, those laws, regulations, standards and obligations are evolving and may be modified, interpreted and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another, other requirements or legal obligations, our practices or the features of our applications or platform. Any failure or perceived failure by us or our contractors to comply with federal, state, provincial or foreign laws or regulations, industry standards, contractual obligations or other legal obligations, or any actual or suspected security incident, whether or not resulting in loss of, unauthorized access to, or acquisition, alteration, destruction, release or transfer of PII or other data, may result in governmental enforcement actions and prosecutions, private litigation, fines and penalties or adverse publicity and could cause employees, suppliers and consumers to lose trust in us, which could have an adverse effect on our reputation and business. Any inability or perceived inability (even if unfounded) on our part to adequately address privacy, data protection, and information security concerns, or comply with applicable laws, regulations, policies, industry standards, governmental standards, contractual obligations, or other legal obligations, could result in additional cost and liability to us, damage our reputation, inhibit sales, and adversely affect our business.

We also expect that there will continue to be new proposed laws, regulations and industry standards concerning privacy, data protection and information security in the United States, Canada, the E.U. and other jurisdictions, and we cannot yet determine the impact such future laws, regulations and standards may have on our business. Future laws, regulations, standards and other obligations, or amendments or changes in the interpretation of existing laws, regulations, standards and other obligations, could impair our or our suppliers' ability to collect, use, disclose or otherwise process information relating to employees or consumers, which could decrease demand for our applications, increase our costs and impair our ability to maintain and grow our supplier and consumer bases and increase revenue. Such laws and regulations may require us to implement privacy and security policies, permit users to access, correct and delete personal information stored or maintained by such companies, inform individuals of security breaches that affect their personal information, and, in some cases, obtain individuals' consent to use PII or other data for certain purposes. In addition, a foreign government could require that any data collected in a country not be transferred or disseminated outside of that country, or impose restrictions or conditions upon such dissemination, and we may face difficulty in complying with any such requirements for certain geographic regions. Indeed, many privacy laws, such as those in force in Canada and the E.U., already impose these requirements. If we fail to comply with federal, state, provincial and foreign data privacy laws and regulations, our ability to successfully operate our business and pursue our business goals could be harmed. Furthermore, due to our acceptance of credit cards, we are subject to the PCI-DSS, which is designed to protect the information of credit card users.

We have experienced security incidents in the past, which we believe were immaterial and were not reportable under applicable state law or our other obligations; however, there can be no assurance that our determinations were correct. In the event our determinations are challenged and found to have been incorrect, we may be subject to unfavorable publicity or claims by one or more state attorneys general, federal regulators, or private plaintiffs, any of which could damage our reputation, inhibit sales and adversely affect our business.

Our business could suffer if the jurisdictions in which we operate change the way in which they regulate the internet, including regulations relating to user-generated content and privacy.

Governments may adopt laws and regulations that make it more difficult to operate our business, both domestically and abroad. We are subject to a number of data privacy and internet-related laws and regulations which result in significant compliance burdens. For example, we have settled two claims under the Americans with Disabilities Act ("ADA") that obligated us to make our websites WCAG 2.0 Level AA compliant for users with visual or other impairments. We are currently in the process of making updates to our website to fulfill this obligation. In addition, some legislators have called for increased regulation of the use of information concerning consumer behavior on the internet, including certain targeted advertising practices. Others have called for changes affecting the immunities afforded to websites that publish user-generated content.

Our business, including our ability to operate and expand internationally, could be adversely affected if legislation or regulations are adopted, interpreted, or implemented in a manner that is inconsistent with our current business practices and that requires changes to these practices or the design of our website, products or features. In particular, the success of our business has depended, and we expect will continue to depend, on our ability to use the content and other information that our users share with us. Therefore, our business could be harmed by any significant change to applicable laws, regulations or industry practices regarding the use or disclosure of the content that our users share through our website and mobile application. Such changes may require us to modify our service offerings and platform features, possibly in a material manner, and may limit our ability to make use of the content and other information that our users generate on our website and mobile application.

Our business and operating results may be harmed if we are deemed responsible for the collection and remittance of state sales taxes or other indirect taxes for suppliers using our order functionality.

We do not collect sales and value-added tax as part of our supplier agreements in the United States or Canada, based on our determination that such tax is not applicable to our platform. Sales and use, value-added, and similar tax laws and rates vary greatly by jurisdiction. We may be deemed responsible for collecting and remitting sales taxes directly to certain states or jurisdictions. It is possible that one or more states could seek to impose sales, use or other tax obligations on us with regard to the ordering functionality that we offer our suppliers. These taxes may be applicable to past sales. In addition, the U.S. Supreme Court's ruling in *South Dakota v. Wayfair* that a U.S. state may require an online retailer with no in-state property or personnel to collect and remit sales tax on sales to the state's residents may permit wider enforcement of sales tax collection requirements, which may increase the jurisdictions in which we may be required to collect and/or remit taxes. A successful assertion that we should be collecting additional sales, use or other taxes or remitting such taxes directly to states or other jurisdictions could result in substantial tax liabilities for past sales and additional administrative expenses and increase the cost of our products and solutions, which could harm our business and operating results.

Our international footprint may subject us to potential adverse tax consequences in various jurisdictions.

Our corporate structure and intercompany arrangements, including the manner in which we develop and use our intellectual property and the transfer pricing of our intercompany transactions, subjects us to the tax laws of various jurisdictions, which are subject to interpretation. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements, including our transfer pricing, or determine that the manner in which we operate our business does not achieve the intended tax consequences, which could increase our worldwide effective tax rate and harm our financial position and results of operations.

Changes in tax laws or regulations and compliance in multiple jurisdictions may have a material adverse effect on our business, cash flow, financial condition or operating results.

We are subject to the income and transaction related tax laws primarily in the United States and Canada. New income, sales, use or other tax laws, statutes, rules, regulations, or ordinances could be enacted at any time, which could affect the tax treatment of our U.S. and foreign earnings. Any new taxes could adversely affect our domestic and foreign business operations, and our business and financial performance. In addition, existing tax laws, statutes, rules, regulations, or ordinances, such as Section 280E of the Internal Revenue Code (the "Code"), discussed below, could be interpreted, changed, modified or applied adversely to us. Furthermore, changes to the taxation of undistributed foreign earnings could change our future intentions regarding reinvestment of such earnings. The foregoing items could have a material adverse effect on our business, cash flow, financial condition or operating results. For more information see the subsection entitled "— *Additional Risks Related to the Cannabis Industry — Cannabis businesses are subject to unfavorable U.S. tax treatment, which reduces our clients' profitability and could result in decreased demand for our services,*" and " — *Additional Risks Related to the Cannabis Industry — Service providers to cannabis businesses may also be subject to unfavorable U.S. tax treatment.*"

Requirements as to taxation vary substantially among jurisdictions. Complying with the tax laws of these jurisdictions can be time consuming and expensive and could potentially subject us to penalties and fees in the future if we were to inadvertently fail to comply. If we were to inadvertently fail to comply with applicable tax laws, this could have a material adverse effect on our business, financial condition, and results of operations.

Changes in accounting standards or other factors could negatively impact our future effective tax rate.

Our future effective income tax rate may be affected by such factors as changing interpretation of existing laws or regulations, the impact of accounting for equity-based compensation, the impact of accounting for business combinations, changes in our international organization, and changes in overall levels of income before tax. In addition, in the ordinary course of our global business, there are many intercompany transactions and calculations where income and tax determinations due by jurisdiction is uncertain.

Additional Risks Related to the Cannabis Industry

Cannabis remains illegal under U.S. federal law and, therefore, strict enforcement of U.S. federal laws regarding cannabis would likely result in our inability to execute our business plan.

Cannabis, other than hemp (defined by federal law as Cannabis sativa L. with a delta-9 THC concentration of not more than 0.3% on a dry weight basis), is a Schedule I controlled substance under the CSA. Even in states or territories that have legalized cannabis to some extent, the cultivation, possession, processing and sale of cannabis all violate the CSA and are punishable by imprisonment, substantial fines and forfeiture. Moreover, individuals and entities may violate federal law if they aid and abet another in violating the CSA, or conspire with another to violate the law, and violating the CSA is a predicate for certain other crimes, including money laundering laws and the Racketeer Influenced and Corrupt Organizations Act. The U.S. Supreme Court has ruled that the federal government has the authority to regulate and criminalize the sale, possession and use of cannabis, even for individual medical purposes, regardless of whether it is legal under state law.

For over ten years, under a policy first instituted during President Obama's administration, the U.S. government has not prioritized the enforcement of those laws against cannabis companies complying with state law and their vendors. On August 29, 2013 former Deputy Attorney General James Cole issued a Memorandum (the "Cole Memo"), which described the criminal enforcement of federal cannabis prohibitions against those complying with state cannabis regulatory systems as an inefficient use of federal investigative and prosecutorial resources. The Cole Memo gave federal prosecutors discretion not to prosecute state law compliant cannabis companies in states that were regulating cannabis, unless one or more of eight federal priorities were implicated, including use of cannabis by minors, violence, or the use of federal lands for cultivation. On January 4, 2018, then U.S. Attorney General Jeff Sessions issued a memorandum for all U.S. Attorneys (the "Sessions Memo") rescinding the Cole Memo. The Sessions Memo, which remains in effect, states that each U.S. Attorney's Office should follow established principles that govern all federal prosecutions when deciding which cannabis activities to prosecute. As a result, federal prosecutors could and still can use their prosecutorial discretion to decide to prosecute even state-legal cannabis activities. Since the Sessions Memo was issued nearly six years ago, however, U.S. Attorneys have generally not prioritized the targeting of state law compliant entities. We cannot assure that each U.S. Attorney's Office in each judicial district where we operate will not choose to enforce federal laws governing cannabis sales against state-legal companies such as our business suppliers.

Since 2014, versions of the U.S. Omnibus Spending bill have included a provision prohibiting the Department of Justice ("DOJ"), which includes the Drug Enforcement Administration and the U.S. Attorney's offices, from using appropriated funds to prevent states from implementing their medical-use cannabis laws. In USA v. McIntosh, the U.S. Court of Appeals for the Ninth Circuit held that the provision prohibits the DOJ from spending funds to prosecute individuals who engage in conduct permitted by state medical-use cannabis laws and who strictly comply with such laws. The court noted that, if the spending bill provision were not continued, prosecutors could enforce against conduct occurring during the statute of limitations even while the provision was previously in force. Other courts that have considered the issue have ruled similarly, although courts disagree about which party bears the burden of proof of showing compliance or noncompliance with state law. Our policies do not prohibit our state-licensed cannabis retailers from engaging in the cannabis business for adult use that is permissible under state and local laws. Consequently, certain of our retailers currently (and may in the future) sell adult-use cannabis, if permitted by such state and local laws now or in the future, and therefore may be outside any protections extended to medical-use cannabis under the spending bill provision. This could subject our suppliers to greater and/or different federal legal and other risks as compared to businesses where cannabis is sold exclusively for medical use, which could in turn materially adversely affect our business. Furthermore, any change in the federal government's enforcement posture with respect to state-licensed cannabis sales, including the enforcement postures of individual federal prosecutors in judicial districts where we operate, could result in our inability to execute our business plan, and we would likely suffer significant losses with respect to our supplier base, which would adversely affect our operations, cash flow and financial condition.

Although the U.S. Attorney General could issue policy guidance to federal prosecutors that they should not interfere with cannabis businesses operating in compliance with states' laws, any such guidance would not have the force of law, and could not be enforced by the courts. The President alone cannot legalize medical cannabis, and as states have demonstrated, legalizing medical cannabis can take many different forms. While rescheduling cannabis would ease certain research restrictions and rescheduling below Schedule II would make Code section 280E inapplicable, it would not make the state medical or adult-use programs federally legal.

During his confirmation hearing, current Attorney General Merrick Garland stated that he did not see enforcement of federal cannabis law as a high priority use of resources for the DOJ: "This is a question of the prioritization of our resources and prosecutorial discretion. It does not seem to me a useful use of limited resources that we have, to be pursuing prosecutions in states that have legalized and that are regulating the use of marijuana, either medically or otherwise. I don't think that's a useful use. I do think we need to be sure there are no end-runs around the state laws that criminal enterprises are doing. So that kind of enforcement should be continued. But I don't think it's a good use of our resources, where states have already authorized. That only confuses people, obviously, within the state." In March 2023, AG Garland provided congressional testimony, during which he stated, "We are still working on a marijuana policy for the Department [of Justice]. ... I think it's fair to expect…that it will be very close to what was done in the Cole memorandum." While neither statement is a promise to avoid federal interference with state cannabis laws, it does signal that the enforcement priorities of the DOJ lie elsewhere.

President Biden initiated a scheduling review of marijuana in late 2022 and announced a pardon of all prior federal offenses for simple marijuana possession. As a result of this scheduling review, the Department of Health and Human Services has recommended that cannabis be moved to Schedule III, which would potentially allow cannabis, in forms approved by the FDA, to be dispensed with a prescription. In addition, re-scheduling would likely obviate the restrictions on tax deductions in Internal Revenue Code section 280E, improving the bottom line of our suppliers and potentially leading to increased marketing spend, including on the Leafly platform. The Drug Enforcement Administration must now act upon the HHS recommendation, and there can be no guarantee that DEA will move cannabis out of Schedule I. Furthermore, re-scheduling cannabis to Schedule III would not legalize existing state medical or adult-use cannabis regulatory schemes under the CSA, meaning many of the existing risks would remain, and could potentially create new competition for some of our suppliers in the form of FDA-approved pharmaceutical producers. The full effects of re-scheduling cannabis are unclear, and any change could affect our business and financial results.

While some industry observers are hopeful that various legislative proposals previously introduced in Congress will increase the chances of federal cannabis policy reform, we cannot provide assurances about the content, timing or chances of passage of a bill legalizing cannabis or liberalizing cannabis regulations. Accordingly, we cannot predict the timing of any change in federal law or possible changes in federal enforcement. In the event that the federal government were to reverse its long-standing hands-off approach to the state-legal cannabis markets and start more broadly enforcing federal law regarding cannabis, we would likely be unable to execute our business plan, and our business and financial results would be materially adversely affected.

Our business and our suppliers are subject to a variety of U.S. and foreign laws regarding financial transactions related to cannabis, which could subject our suppliers to legal claims or otherwise adversely affect our business.

We and our suppliers are subject to a variety of laws and regulations in the United States, Canada, and elsewhere that prohibit money laundering, including the Money Laundering Control Act (United States), as amended, and the Proceeds of Crime and Terrorist Financing Act (Canada), and the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by governmental authorities in the United States, Canada or any other jurisdiction in which we have business operations. Violations of the U.S. anti-money laundering laws require the government to confiscate proceeds from enumerated criminal activity, which includes trafficking in cannabis in violation of the CSA. Although we believe that none of our activities implicate the aforementioned money laundering statutes, largely because we believe there is no underlying CSA offense, in the event that any of our business activities, any dividends or distributions therefrom, or any profits or revenues accruing thereby are found to be in violation of money laundering statutes, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation, and any persons, including such U.S. based investors, found to be aiding and abetting us in such violations could be subject to liability. Any violations of these laws, or allegations of such violations, could disrupt our operations, involve significant management distraction and involve significant costs and expenses, including legal fees. We could also suffer significant penalties, including criminal and civil penalties, disgorgement and other remedial measures.

Our operations may be negatively affected by the way other private companies interpret laws and regulations applicable to the cannabis industry, or their policies and practices with respect to the cannabis industry.

In most jurisdictions in which cannabis is legalized for adult or medical use, the cannabis industry is subject to a complex and comprehensive set of laws and regulations. Many entities that do business with consumers or suppliers in the cannabis industry institute internal or supplier-facing policies that limit or restrict how they do business with these suppliers, or take steps to verify that their suppliers in the cannabis industry operate in compliance with applicable laws. For example, some financial institutions that service cannabis retailers screen their clients' advertising for compliance with restrictions on cannabis advertising. Some financial institutions have interpreted editorial information that Leafly appends to some product pages within dispensary menus as advertising by those cannabis retailers, and instructed the suppliers to remove such advertising. Some mass media outlets have refused to publish advertisements for Leafly on the basis of perceived risk. The manner in which other companies interpret laws and regulations applicable to the cannabis industry, and the policies they institute as a result may adversely affect our suppliers' operations, which in turn could harm our 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 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. 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.

The continuing proliferation of unlicensed and illicit cannabis operations may negatively affect our suppliers and our operations.

Our customers face competition from market operators who are unlicensed and unregulated, including illegal dispensaries and illicit market suppliers selling cannabis and cannabis-based products in many states which have legalized cannabis for medical or adult use. As these illegal market participants do not comply with the regulations governing the cannabis industry, their operations may have significantly lower costs. The perpetuation of the illegal market for cannabis may have a material adverse effect on our clients and our business, results of operations, as well as the perception of cannabis use. Furthermore, given the restrictions on regulated cannabis retailers, it is possible that legal cannabis consumers revert to the illicit market as a matter of convenience.

We may have difficulty using bankruptcy courts due to our involvement in the regulated cannabis industry.

As disclosed above in *"— Operational Risks,"* there is substantial doubt about our ability to continue as a going concern and if adequate capital is not available to us when needed, or in the amounts required, we may be forced to terminate, significantly curtail or cease our operations or to pursue other strategic alternatives, including bankruptcy. We currently have no need or plans to seek bankruptcy protection. U.S. courts have historically held that debtors whose income is derived from cannabis or cannabis assets in violation of the CSA cannot seek federal bankruptcy protections. Although we are not in the business of growing or processing cannabis or selling or even possessing cannabis or cannabis products, a U.S. court could determine that our revenue is derived from cannabis or cannabis assets and prevent us from obtaining bankruptcy protections if necessary.

The conduct of third parties may jeopardize our business.

Our success depends in part on our suppliers' ability to operate consistently with the regulatory and licensing requirements of each state, local, and regional jurisdiction in which they operate. We cannot guarantee that our systems, protocols, and practices, including our compliance and monitoring processes, will prevent all unauthorized or illegal activities by our suppliers. The conduct of our suppliers, who are third parties, and their actions could expose them to legal sanctions and costs, which could in turn, materially adversely affect our business and operations.

The conduct of third parties may jeopardize our regulatory compliance.

While we are a technology company, not a cannabis licensee, and as such, are not subject to commercial cannabis regulations that apply to cannabis operators, we cannot guarantee that our systems, protocols, and practices will prevent any and all unauthorized or illegal activities by our suppliers. Our success depends in part on our suppliers' ability to operate consistently with the regulatory and licensing requirements of each state, local, and regional jurisdiction in which they operate. Despite the procedures and protocols in place for license verification by our catalog and compliance team, any non-compliance by our suppliers could put our business at risk, as discussed herein, and could also subject us to potential actions by state regulators to prohibit cannabis licensees from advertising on our platform, which could materially adversely affect our business, operations, financial condition, brand, and reputation.

We believe that Section 230(c)(1) of the Communications Decency Act (the "CDA") provides immunity from civil and state criminal liability, but it is possible that it does not.

We believe that Section 230(c)(1) of the CDA provides immunity from civil and state criminal liability to providers of interactive computer services in the United States, such as us, for content provided on their platforms that they did not create or develop. Section 230 does not provide any protections against federal criminal liability, such as prosecutions under the CSA. We do not create or develop the information that appears on our suppliers' listing pages and advertising placements, although our internal teams may take down a supplier's information if it breaches our listing restrictions or admonish consumers who post reviews that violate our community terms of use (which, for example, prohibit profanity and racism). We do author and edit certain original content that appears in other sections of our placements, although our internal teams may take down a supplier's information if it breaches our listing restrictions or admonish consumers who post reviews that violate our community terms of use (which, for example, prohibit profanity and racism). We do author and edit certain original content that appears in other sections of our site, such as Strains, Learn, News, and Cannabis 101. All of these sections are general news and information, and none of these sections are advertisements for, or listing pages of, cannabis businesses. For additional information about Section 230 of the CDA, see the section entitled "— *Risks Relating to Our Business and Industry*." Our suppliers are subject to licensing and related requirements under applicable laws and regulations, and our own compliance policies, and some of our suppliers currently and in the future may not be in compliance with all such requirements. Despite our belief that we are protected by Section 230 of the CDA, it is possible that we are not, which would subject us to legal, business, and operational risks. In addition, there have been various Congressional efforts to restrict the scope of the protections available to online platforms under Section 230 of the CDA, and our current protections from liability for third-party content in the United States could decrease or change. We could incur significant costs investigating and defending such claims and, if we are found liable, significant damages. We could also face fines or orders restricting or blocking our services in particular geographies as a result of content hosted on our services. For example, recently enacted legislation in Germany may impose significant fines for failure to comply with certain content removal and disclosure obligations.

We may continue to be subject to constraints on marketing our products.

Certain states in which we operate have enacted regulations regarding marketing and sales activities of cannabis products, including certain state restrictions that directly or indirectly affect our products, including our online order reservation platform, which could limit availability of some of our products and in turn adversely affect demand for our listing and marketing services. For example, the NY OCM recently adopted rules that significantly impede our ability to do business in

New York under our current business model. We filed a legal challenge against the NY OCM, alleging that, among other things, the rules were unconstitutional restrictions on commercial speech, were arbitrary and capricious, and were promulgated in excess of NY OCM's authority. The New York Supreme Court, the state's trial level court of general jurisdiction, granted Leafly a preliminary injunction while the case proceeds. If the ultimate ruling is adverse to Leafly, our business in New York is likely to be adversely affected. Generally speaking, if our suppliers are unable to effectively use our products and compete for market share, or if the costs of compliance with applicable regulations cannot be absorbed by our suppliers, this could hamper demand for our products and services from licensed cannabis retailers, which could result in a loss of revenue.

Cannabis businesses are subject to unfavorable U.S. tax treatment, which reduces our clients' profitability and could result in decreased demand for our services.

Section 280E of the Code does not allow any deduction or credit for any amount paid or incurred during the taxable year in carrying on business, other than costs of goods sold, if the business (or the activities which comprise the trade or business) consists of trafficking in controlled substances (within the meaning of Schedules I and II of the CSA). The IRS has applied this provision to cannabis operations, prohibiting them from deducting expenses associated with cannabis businesses beyond costs of goods sold and asserting assessments and penalties for additional taxes owed. Section 280E of the Code may have a lesser impact on cannabis cultivation and manufacturing operations than on sales operations, which directly affects our suppliers, who are cannabis retailers and brands. However, Section 280E of the Code and related IRS enforcement activity have had a significant impact on the operations of all cannabis companies. While the Section does not directly affect our Company, we believe there are indirect impacts to our business which could be significant, in that Section 280E lowers our suppliers' profitability, and could result in decreased demand or higher price sensitivity for our listing and marketing services. An otherwise profitable cannabis business may operate at a loss after taking into account its U.S. income tax expenses. We believe this negatively affects us because our sales and operating results could be adversely affected if our suppliers decrease their marketing budgets and are operating on lower profit margins as a result of unfavorable treatment by the Code.

Service providers to cannabis businesses may also be subject to unfavorable U.S. tax treatment.

As discussed above, under Section 280E of the Code, no deduction or credit is allowed for any amount paid or incurred during the taxable year in carrying on business, other than costs of goods sold, if the business (or the activities which comprise the trade or business) consists of trafficking in controlled substances (within the meaning of Schedules I and II of the CSA). The IRS has applied this provision to cannabis operations, prohibiting them from deducting expenses associated with cannabis businesses and asserting assessments and penalties for additional taxes owed. While we believe that Section 280E of the Code does not apply to our business, or ancillary service providers that work with state-licensed cannabis businesses, if the IRS interprets the Section to apply, it would significantly and materially affect our profitability and financial condition.

Cannabis businesses may be subject to civil asset forfeiture.

Any property owned by participants in the cannabis industry used in the course of conducting such business, or that represents proceeds of such business or is traceable to proceeds of such business, could be subject to seizure by federal law enforcement and subsequent civil asset forfeiture because of the illegality of the cannabis industry under federal law. Even if the owner of the property is never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture. Forfeiture of assets of our cannabis business clients could adversely affect our revenues if it impedes their profitability or operations and our suppliers' ability to continue to subscribe to our services.

Due to our involvement in the cannabis industry, we may have a difficult time obtaining the various insurances that are desired to operate our business, which may expose us to additional risk and financial liability.

Insurance that is otherwise readily available, such as general liability and directors' and officers' insurance, is more difficult for us to find and is more expensive or contains significant exclusions because our suppliers are cannabis industry participants. There are no guarantees that we will be able to find such insurance coverage in the future or that the cost will be affordable to us. If we are forced to go without such insurance coverage, it may prevent us from entering into certain business sectors, may inhibit our growth, may limit our ability to attract directors and officers and may expose us to additional risk and financial liabilities. If we experience an uninsured loss, it may result in loss of anticipated cash flow and could materially adversely affect our results of operations, financial condition, and business.

There may be difficulty enforcing certain of our commercial agreements and contracts.

Courts will not enforce a contract deemed to involve a violation of law or public policy. Because cannabis remains illegal under U.S. federal law, parties to contracts involving the state-legal cannabis industry have argued that the agreement was void as federally illegal or against public policy. Some courts have accepted this argument in certain cases, usually with adverse results for cannabis companies. While courts have enforced contracts related to activities by state-legal cannabis companies, and the trend is generally to enforce contracts with state-legal cannabis companies and their vendors, there remains doubt and uncertainty that we will be able to enforce our commercial agreements in court for this reason. We cannot be assured that we will have a remedy for breach of contract, which would have a material adverse effect on our business.

Certain of our directors, officers, employees and investors who are not U.S. citizens may face constraints on cross-border travel into the United States.

Because cannabis remains illegal under U.S. federal law, non-U.S. citizens employed at or investing in companies doing business in the state-legal cannabis industry could face detention, denial of entry or lifetime bans from the United States for their business associations with cannabis businesses. Entry to the United States for non-citizens happens at the sole discretion of the officers on duty of the U.S. Customs and Border Protection (the "CBP"), and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the United States. CBP has taken the position that business or financial involvement in the legal cannabis industry in Canada or in the United States is grounds for U.S. border guards to deny entry. On September 21, 2018, CBP released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada's legalization of cannabis will not change CBP enforcement of U.S. laws regarding controlled substances and because cannabis continues to be a controlled substance under U.S. federal law, working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal or in Canada may affect admissibility to the United States. CBP updated its stated policy on October 9, 2018 to clarify that a Canadian citizen coming to the United States for reasons unrelated to the cannabis industry will generally be admissible to the United States.

Risks Related to Our Intellectual Property

We are, and may in the future be, subject to disputes and assertions by third parties that we violate their intellectual property rights. These disputes may be costly to defend and could harm our business and operating results.

We currently face, and we expect to face from time to time in the future, allegations that we have violated the rights of third parties, including patent, trademark, copyright and other intellectual property rights. For example, third parties have claimed that we have allegedly violated their trademark rights solely due to our display of third party products bearing an allegedly infringing mark. In the past, we have successfully resolved such claims without litigation.

Other claims against us can be expected to be made in the future. Even if the claims are without merit, the costs associated with defending these types of claims may be substantial, both in terms of time, money, and diversion of management attention. In particular, patent and other intellectual property litigation may be protracted and expensive, and the results are difficult to predict and may require us to stop using certain trademarks, discontinue offering certain features, purchase licenses or modify our services and platform features while we develop non-infringing substitutes or may result in significant settlement costs. Though we have two issued U.S. patents, we may be unable to deter competitors or others from pursuing patent or other intellectual property infringement claims against us.

The results of litigation and claims to which we may be subject cannot be predicted with certainty. Even if these matters do not result in litigation or are resolved in our favor or without significant cash settlements, these matters, and the time and resources necessary to litigate or resolve them, could harm our business, results or operations and reputation.

Some of our solutions contain open source software, which may pose particular risks to our proprietary software and solutions.

We use open source software that we have obtained from third parties or is included in software packages in our solutions and will use open source software in the future. Open source software is generally freely accessible, usable and modifiable, and is made available to the general public on an "as-is" basis under the terms of a non-negotiable license. From time to time, we may face claims from third parties claiming ownership of, or demanding release of, the open source software and/or derivative works that we developed using such software (which could include our proprietary source code), or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to purchase a costly license or cease offering the implicated solutions unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources. In addition to risks related to license requirements, use of certain open source software can lead to greater risks than use of third party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a negative effect on our business and operating results.

Failure to protect or enforce our intellectual property rights could harm our brand, business and results of operations.

We seek to protect our trademarks, the source code for our proprietary software, domain names, and other proprietary information under a combination of patent law, trade secrets, copyrights, and trademark law to the extent we determine they are appropriate and cost-effective. We regard the protection of our pending patents, trade secrets, copyrights, trademarks and domain names as critical to our success. In particular, we must maintain, protect and enhance the "Leafly" brand. We pursue the registration of our domain names and core trademarks in the United States and in certain jurisdictions abroad. We strive to protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. Federal, state and/or local laws may limit or define the nature of permitted goods and services for which we can seek trademark registration. We typically enter into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with parties with whom we conduct business in order to limit access to, and disclosure and use of, our proprietary information. However, these contractual arrangements and the other steps we have taken to protect our intellectual property may not prevent the misappropriation or disclosure of our proprietary information nor deter independent development of similar technologies by others.

Effective patent, trade secret, copyright, trademark and domain name protection is expensive to develop and maintain, both in terms of initial and ongoing registration requirements and expenses and the costs of defending our rights. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our software or to obtain and use information that we regard as proprietary. Policing unauthorized use of our software is difficult, and we are unable to determine the extent to which piracy of our software exists or will occur in the future. Litigation may be necessary in the future to enforce our intellectual property rights, protect our trade secrets, determine the validity and scope of the proprietary rights of others or defend against claims of infringement or invalidity. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could adversely affect our business and operating results. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights or alleging that we infringe the counterclaimant's own intellectual property. These steps may be inadequate to protect our intellectual property. Third parties may challenge the validity or ownership of our intellectual property, and these challenges could cause us to lose our rights, in whole or in part, to such intellectual property or narrow its scope such that it no longer provides meaningful protection. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. Despite our precautions, it may be possible for unauthorized third parties to copy our services and platform features and use information that we regard as proprietary to create services and platform features that compete with ours. Some of our terms of use provisions protecting against unauthorized use, copying, transfer and disclosure of our applications may be unenforceable under the laws of certain jurisdictions and foreign countries. Further, the laws of some countries do not protect proprietary rights to the same extent as the laws of the United States. To the extent we expand our international activities, our exposure to unauthorized copying, transfer and use of our brand, software, and proprietary technology or information may increase.

Additionally, with the advent, adoption, and integration of artificial intelligence initiatives in the cannabis industry, protecting and enforcing our intellectual property rights may be more challenging and more costly. Artificial intelligence enables users to engage in category-based scraping of data types such as text, images, and videos and to efficiently categorize, classify, interpret, and analyze data.

There can be no assurance that our means of protecting our proprietary rights will be adequate or that our competitors will not independently develop similar technology. If we fail to meaningfully protect our intellectual property, our business, brands, operating results and financial condition may be harmed.

We may be unable to continue to use our existing domain names, or prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brand or our trademarks or service marks.

We have registered domain names for websites that we use in our business, such as Leafly.com. If we lose the ability to use a domain name, whether due to trademark claims, failure to renew the applicable registration, or any other cause, we may be forced to market our products under a new domain name, which could cause us substantial harm, or to incur significant expense in order to purchase rights to the domain name in question. In addition, our competitors and others could attempt to capitalize on our brand recognition by using domain names similar to ours. Domain names similar to ours have been registered by third parties in the United States and elsewhere. We may be unable to prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brand or our trademarks or service marks. Protecting and enforcing our rights in our domain names may require litigation, which could result in substantial costs and diversion of management’s attention.

Public Company and Financial Reporting Risks

Our failure to regain compliance with the continued listing requirements of the Nasdaq Capital Market could result in a delisting of our Common Stock.

Our common stock and public warrants are currently traded on the Nasdaq Capital Market (the “Capital Market”). If we continue to remain out of compliance with the Capital Market’s continued listing standards and Nasdaq’s rules governing composition of a listed company’s audit committee, the Nasdaq may take steps to delist our common stock and warrants. We previously have been out of compliance with other Nasdaq listing standards, discussed below, and our securities would have been subject to delisting by Nasdaq if we had not timely cured the deficiencies we were then experiencing. If our securities are delisted from Nasdaq, such action would likely have a negative effect on the price of our common stock and would impair your ability to sell or purchase our common stock when you wish to do so.

Nasdaq Listing Rule 5550 requires a Company listed on the Capital Market to continuously meet at least one of the following requirements set forth in Nasdaq Listing Rule 5550(b) (the “Continued Listing Standards”):

Continued Listing Standard	Requirement	Leafly's Position as of December 31, 2023
“Stockholders’ Equity”	Minimum $2.5 million	Negative $12.5 million
“Market Value of Listed Securities”	Minimum $35 million	$10.8 million
“Net Income”	Minimum $500 thousand from continuing operations – most recent fiscal year or in two of three of last three fiscal years	Loss of $9.5 million

As shown above, we do not currently comply with the Continued Listing Standards, and we expect to receive a notification from Nasdaq’s Listing Qualifications Staff (“Staff”) confirming our noncompliance. Within 45 calendar days from the date of receiving the Staff’s notification, we will have the right to submit to Nasdaq a plan to regain compliance with Nasdaq’s Stockholders’ Equity and/or Market Value of Listed Securities standards, and the Staff may grant us an extension of up to 180 calendar days from the date this Annual Report is filed for us to evidence compliance.

To comply with the Stockholders’ Equity standard, the value of Leafly’s stockholders’ equity must exceed $2.5 million on or before the end of any extension we may receive from the Staff. To comply with the Market Value of Listed Securities standard, the total market value of Leafly’s listed securities, calculated as Leafly’s total shares outstanding multiplied by the daily closing bid price, must be $35 million or more for a minimum of 10 consecutive business days at any time before the end of any extension we may receive from the Staff. We can give no assurances that the Staff will grant us an extension or, even if the Staff grants us an extension, that we will be given the full 180 calendar days or that we will be able to comply with the Continued Listing Standards.

If we do not comply with the Continued Listing Standards prior to the expiration of any extension that may be granted by the Staff, or if the Staff declines to grant an extension after reviewing our compliance plan submission, or if we do not submit a compliance plan after receiving the Staff’s notification, the Nasdaq Listing Rules require the Staff to provide written notification to us that our securities will be delisted, subject to the right to appeal any such delisting determination to a Hearings Panel.

In addition, from January 1, 2024 until March 25, 2024, Leafly was out of compliance with Nasdaq Listing Rule 5605(c)(2)(A) (the “Audit Committee Rule”), which requires our Board’s Audit Committee to be composed of at least three independent members. On January 3, 2024, we received a letter (the “Notice”) from the Staff confirming Leafly’s noncompliance with the Audit Committee Rule and providing Leafly with a cure period to regain compliance (i) until the earlier of Leafly’s next annual meeting of stockholders or January 2, 2025; or (ii) if the next annual meeting of stockholders is held before July 1, 2024, then Leafly must evidence compliance no later than July 1, 2024 (the “Cure Period”). The Notice did not immediately affect the listing of Leafly’s common stock or warrants, and its common stock and warrants continue to trade on Nasdaq. On March 25, 2024, the Board appointed two new independent directors, Jeffrey Monat and Andres Nannetti, to the Board and to the Board's Audit Committee. As a result, on April 1, 2024, the Company received written notice from the Staff confirming that the Company regained compliance with the Audit Committee Rule and this matter is now closed.

On October 28, 2022, we received a letter from the Staff indicating that we no longer complied with the $50 million in market value of listed securities standard for continued listing on the Nasdaq Global Market under Nasdaq Listing Rule 5450(b)(2)(A) and that we also 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 our application to transfer the listing of our common stock and warrants from the Nasdaq Global Market to the Capital Market, effective April 21, 2023, on the basis that we complied with the Net Income standard for the Capital Market under Nasdaq Listing Rule 5550(b)(3). The transfer of the listing resolved the October 28, 2022 noncompliance notification.

On November 2, 2022, we received a letter from the Staff indicating that we did not meet the requirement to maintain a minimum bid price of $1 per share, which is imposed by Nasdaq Listing Rule 5450(a)(1) for continued listing on the Nasdaq Global Market and by Nasdaq Listing Rule 5550(a)(2) for continued listing on the Capital Market (the "Bid Price Requirement") and that we had until May 1, 2023 to regain compliance. On May 2, 2023, as a result of not regaining compliance with the Bid Price Requirement, we received a letter from Nasdaq notifying us that the Company's common stock would be subject to delisting from Nasdaq unless we timely requested a hearing before a Nasdaq Hearings Panel (the "Panel") and submitted a plan of compliance. We submitted a Plan, which was approved by the Panel, giving us until October 30, 2023 to regain compliance with the Bid Price Requirement. On September 12, 2023, we implemented a one-for-twenty reverse split of the Company's common stock (see, Note 11), and on September 29, 2023, we received formal notice from Nasdaq confirming that the Company regained compliance with the Bid Price Requirement, would continue to be listed and traded on the Capital Market and the listing matter was closed.

If we are delisted from the Capital Market, it is unlikely we would qualify for listing on another national securities exchange in the United States and trading of our common stock and warrants would most likely take place on an over-the-counter market established for unlisted securities, such as the OTCQX, the OTCQB or the Pink Market maintained by OTC Markets Group Inc. We cannot assure you that our common stock and/or warrants, if delisted from Nasdaq, will ever be listed on another securities exchange or quoted on an over-the counter quotation system. An investor would likely find it less convenient to sell, or to obtain accurate quotations in seeking to buy, our common stock on an over-the-counter market, and many investors would likely not buy or sell our common stock due to difficulty in accessing over-the-counter markets, policies preventing them from trading in securities not listed on a national exchange or other reasons. Accordingly, delisting from the Capital Market could make trading our common stock more difficult for investors, likely leading to declines in our share price, trading volume and liquidity. 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. 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.

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 which may further limit the market liquidity of our common stock and the ability of our stockholders to sell our common stock in the secondary market. The regulations relating to penny stocks, coupled with the typically higher cost per trade to the investor of penny stocks due to factors such as broker commissions generally representing a higher percentage of the price of a penny stock than of a higher-priced stock, would further limit the ability of investors to trade in our common stock.

We will continue to incur increased costs and obligations as a result of being a public company.

As a publicly traded company, we are incurring and will continue to incur significant legal, accounting and other expenses. In addition, new and changing laws, regulations and standards relating to corporate governance and public disclosure, including the Dodd Frank Wall Street Reform and Consumer Protection Act and the rules and regulations promulgated and to be promulgated thereunder, as well as under the Sarbanes-Oxley Act, the Jumpstart Our Business Startups Act ("JOBS Act"), and the rules and regulations of the SEC and the Nasdaq have created uncertainty for public companies and increased the costs and the time that our board of directors and management must devote to complying with these rules and regulations. We expect these rules and regulations to increase our legal and financial compliance costs and lead to a diversion of management time and attention from revenue generating activities.

Furthermore, the resources we have deployed to establish and continue to develop the corporate infrastructure required to meet the obligations of a public company have diverted and will continue to divert management's attention from strategic endeavors, which could prevent us from improving our business, results of operations and financial condition. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a publicly traded company. However, the measures we take may not be sufficient to satisfy our obligations as a publicly traded company.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

As a public company, we are required to comply with certain SEC, Nasdaq and other legal or regulatory requirements. In particular, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act and any rules promulgated thereunder, as well as the rules of Nasdaq. The requirements of these laws, regulations and rules, including new and changing laws, regulations and rules relating to corporate governance and public disclosure, increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources. Those laws, regulations or rules and their interpretation and application may also change from time to time and those changes could have a material adverse effect on our business, investments and results of operations. In addition, a failure to comply with applicable laws, regulations or rules, as interpreted and applied, could have a material adverse effect on our business and results of operations.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls for financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight are required, and, as a result, management's attention may be diverted from other business concerns. These rules and regulations can also make it more difficult for us to attract and retain qualified independent members of our board of directors. Additionally, these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance. We may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. The increased costs of compliance with public company reporting requirements and our potential failure to satisfy these requirements could have a material adverse effect on our operations, business, financial condition or results of operations.

If we fail to establish and maintain proper and effective internal control over financial reporting or otherwise fail to establish and maintain an effective system of controls, our ability to produce accurate and timely financial statements could be impaired, investors may lose confidence in our financial reporting, the trading price of our common stock could decline, and we could be subject to heightened regulatory scrutiny.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls for financial reporting. In 2022, we began our implementation of Sarbanes-Oxley and continue to assess and further develop our internal controls and procedures. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet the applicable regulatory standards, significant resources and management oversight are required. To comply with the Sarbanes-Oxley Act, the requirements of being a reporting company under the Exchange Act and any complex accounting rules in the future, we will continue to make upgrades to our information technology systems, implement additional financial and management controls, reporting systems and procedures, and hire additional accounting and finance staff. We also continue to engage outside consultants to assist in complying with these requirements.

Our management does not expect that our disclosure controls and procedures and internal controls over financial reporting will prevent all potential errors and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. For example, in 2020, prior to becoming a public company, a material weakness was identified in our internal controls over financial reporting, which was fully remediated in 2021. The actions we took remediated the material weakness and strengthened our internal control over financial reporting; however, there can be no guarantee that we will not experience flaws in our internal controls and procedures in the future. The effectiveness of our internal control over financial reporting is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the possibility of human error, and the risk of fraud. We cannot assure you that the measures we have taken to date and may take in the future will be sufficient to prevent or avoid potential future material weaknesses.

We are required to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. Once we no longer qualify as an "emerging growth company," an attestation of the independent registered public accounting firm will also be required. The rules governing the standards that must be met for management to assess internal control over financial reporting are complex and require significant documentation, testing and possible remediation. It is possible that control deficiencies could be identified by our management or by our independent registered public accounting firm in the future or may occur without being identified.

Any failure to maintain an adequate system of internal controls and internal control over financial reporting could severely inhibit our ability to accurately report our financial condition, results of operations or cash flows. Such a failure could result in regulatory scrutiny by Nasdaq, the SEC or other regulatory authorities, cause investors to lose confidence in our reported financial results, cause the market price of our common stock to decline, lead to a default under our current or future indebtedness and otherwise have a material adverse effect on our business, financial condition, cash flows, or results of operations. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

Our projections are subject to significant risks, assumptions, estimates and uncertainties. As a result, our actual revenues, market share, expenses and profitability may differ materially from our expectations.

We operate in a rapidly changing and competitive industry and our projections will be subject to the risks and assumptions made by management with respect to our industry and business. Operating results are difficult to forecast because they generally depend on a number of factors, including the competition we face, and our ability to attract and retain customers, deliver new products and services and expand market share. Additionally, our business may be affected by reductions in trading activity, loss of customers, lack of new products, competition, regulation and a number of factors which may be difficult to predict. This may result in decreased revenue levels, and we may be unable to adopt measures in a timely manner to compensate for any unexpected shortfall in income. This inability could cause our operating results in a given quarter to be higher or lower than expected. These factors make creating accurate forecasts and budgets challenging and, as a result, we may fall materially short of our forecasts and expectations, which could cause our stock price to decline and investors to lose confidence in us.

Risks Relating to Ownership of our Common Stock

We qualify as an "emerging growth company" and "smaller reporting company" within the meaning of the Securities Act, and if we take advantage of certain exemptions from disclosure requirements available to emerging growth companies

and smaller reporting companies, our securities may be less attractive to investors and it could be more difficult to compare our performance to the performance of other public companies.

We qualify as an "emerging growth company" as defined in Section 2(a)(19) of the Securities Act, as modified by the JOBS Act, as of the closing of the Business Combination. As such, we are eligible for and intend to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies for as long as we continue to be an emerging growth company, including, but not limited to, (a) not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, (b) reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and (c) exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. As a result, our stockholders may not have access to certain information they may deem important. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year in which the market value of our common stock that is held by non-affiliates exceeds $700 million as of June 30 of that fiscal year, (ii) the last day of the fiscal year in which we have total annual gross revenue of $1.23 billion or more during such fiscal year (as indexed for inflation), (iii) the date on which we have issued more than $1 billion in non-convertible debt in the prior three-year period or (iv) December 31, 2024, which is the last day of the fiscal year following the fifth anniversary of the date of the first sale of common stock in Merida's initial public offering. We cannot predict whether investors will find our securities less attractive because we rely on these exemptions. If some investors find our securities less attractive as a result of our reliance on these exemptions, the trading prices of our securities may be lower than they otherwise would be, there may be a less active trading market for our securities and the trading prices of our securities may be more volatile.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. We have elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

As an emerging growth company, we may also take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to obtain an assessment of the effectiveness of our internal controls over financial reporting from our independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. If some investors find our shares of common stock less attractive as a result, there may be a less active market for our shares of common stock and our share price may be more volatile.

Additionally, we are a "smaller reporting company" as defined in Item 10(f)(1) of Regulation S-K. Smaller reporting companies may take advantage of certain reduced disclosure obligations, including, among other things, providing only two years of audited financial statements. We expect that we will remain a smaller reporting company until the last day of any fiscal year for so long as either (a) the market value of our common stock held by non-affiliates does not equal or exceed $250 million as of the prior June 30th, or (b) our annual revenues did not equal or exceed $100 million during such completed fiscal year and the market value of our common stock held by non-affiliates did not equal or exceed $700 million as of the prior June 30th. To the extent we take advantage of such reduced disclosure obligations, it may also make comparison of our financial statements with other public companies difficult or impossible.

Our stock price may be volatile and may decline regardless of our operating performance.

The market price of our common stock fluctuates and may continue to fluctuate significantly in response to numerous factors and may continue to fluctuate for these and other reasons, many of which are beyond our control, including:

- actual or anticipated fluctuations in our revenue and results of operations;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- failure of securities analysts to maintain coverage of us, changes in financial estimates or ratings by any securities analysts who follow us or our failure to meet these estimates or the expectations of investors;
- announcements by us or our competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures, results of operations or capital commitments;
- changes in operating performance and stock market valuations of other retail or technology companies generally, or those in the cannabis industry in particular;
- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;
- the overall performance of the cannabis industry, including the decline in investments in the industry;
- trading volume of our common stock;
- the inclusion, exclusion or removal of our common stock from any indices;
- changes in our board of directors or management;
- transactions in our common stock by directors, officers, affiliates and other major investors;
- lawsuits threatened or filed against us;
- changes in laws or regulations applicable to our business;
- changes in our capital structure, such as future issuances of debt or equity securities;
- short sales, hedging and other derivative transactions involving our common stock;
- general economic conditions in the United States;
- pandemics or other public health crises, including, but not limited to, the COVID-19 pandemic (including possible additional variants);
- other events or factors, including those resulting from war, incidents of terrorism or responses to these events; and
- the other factors described in this "*Risk Factors*" section.

The stock market has recently experienced extreme price and volume fluctuations. The market prices of securities of companies have experienced fluctuations that often have been unrelated or disproportionate to their operating results. In the past, stockholders have sometimes instituted securities class action litigation against companies following periods of volatility in the market price of their securities. Any similar litigation against us could result in substantial costs, divert management's attention and resources, and harm our business, financial condition, and results of operations.

Our stock price may be exposed to additional risks because our business became a public company through a "de-SPAC" transaction. There has been increased focus by government agencies on transactions such as the Business Combination, and we expect that increased focus to continue, and we may be subject to increased scrutiny by the SEC and other government agencies and holders of our securities as a result, which could adversely affect the price of our common stock.

An active trading market for our common stock may not be sustained.

Our common stock is listed on Nasdaq under the symbol "LFLY" and trades on that market and others. We cannot assure you that an active trading market for our common stock will be sustained or that our common stock will be listed on the Nasdaq or another national securities exchange or quoted on an over-the-counter quotation system. Accordingly, we cannot assure you of the liquidity of any trading market, your ability to sell your shares of our common stock when desired or the prices that you may obtain for your shares.

Future sales of shares by existing stockholders could cause our stock price to decline.

If our existing stockholders sell or indicate an intention to sell substantial amounts of our common stock in the public market, the trading price of our common stock could decline. In addition, shares underlying any outstanding options and restricted stock units will become eligible for sale if exercised or settled, as applicable, and to the extent permitted by the provisions of various vesting agreements and Rule 144 of the Securities Act. All the shares of common stock subject to stock options outstanding and reserved for issuance under our equity incentive plans are registered on Form S-8 under the Securities Act and such shares are eligible for sale in the public markets, subject to Rule 144 limitations applicable to affiliates. If these additional shares are sold, or if it is perceived that they will be sold in the public market, the trading price of our common stock could decline.

If securities or industry analysts either do not publish research about us or publish inaccurate or unfavorable research about us, our business, or its market, or if they change their recommendations regarding our common stock adversely, the trading price or trading volume of our common stock could decline.

The trading market for our common stock is influenced in part by the research and reports that securities or industry analysts may publish about us, our business, our market, or our competitors. If one or more of the analysts initiate research with an unfavorable rating or downgrade our common stock, provide a more favorable recommendation about our competitors, or publish inaccurate or unfavorable research about our business, the trading price of our common stock would likely decline. In addition, securities research analysts publish their own periodic projections for our business. These projections may vary widely and may not accurately predict the results we actually achieve. Our stock price may decline if our actual results do not match the projections of these securities research analysts. If any analyst who covers us were to cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the trading price or trading volume of our common stock to decline.

Delaware law and provisions in our certificate of incorporation and Bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the trading price of our common stock.

Our certificate of incorporation and Bylaws contain provisions that could depress the trading price of our common stock by acting to discourage, delay, or prevent a change of control of us or changes in our management that our stockholders may deem advantageous. These provisions include the following:

- a classified board of directors so that not all members of our board of directors are elected at one time;
- the right of the board of directors to establish the number of directors and fill any vacancies and newly created directorships;
- director removal solely for cause;
- "blank check" preferred stock that our board of directors could use to implement a stockholder rights plan;
- the right of our board of directors to issue our authorized but unissued common stock and preferred stock without stockholder approval;
- no ability of our stockholders to call special meetings of stockholders;

- no right of our stockholders to act by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- limitations on the liability of, and the provision of indemnification to, our director and officers;
- the right of the board of directors to make, alter, or repeal our bylaws; and
- advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

In addition, we will continue to be subject to Section 203 of the DGCL. Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date such person becomes an interested stockholder, unless the business combination or the transaction in which such person becomes an interested stockholder is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person that, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder status did own, 15% or more of a corporation's voting stock. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by our board of directors and the anti-takeover effect includes discouraging attempts that might result in a premium over the market price for the shares of our common stock.

Any provision of our certificate of incorporation or Bylaws that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

Our Bylaws provide that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our Bylaws provide that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our certificate of incorporation or Bylaws or any action asserting a claim against us that is governed by the internal affairs doctrine. These choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees and may discourage these types of lawsuits. This provision would not apply to claims brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Our Bylaws provide further that, to the fullest extent permitted by law, the federal district courts of the United States will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. However, Section 22 of the Securities Act provides that federal and state courts have concurrent jurisdiction over lawsuits brought under the Securities Act or the rules and regulations thereunder. To the extent the exclusive forum provision restricts the courts in which claims arising under the Securities Act may be brought, there is uncertainty as to whether a court would enforce such a provision. We note that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Furthermore, the enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions, and there can be no assurance that such provisions will be enforced by a court in those other jurisdictions. If a court were to find the exclusive-forum provision contained in our Bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business.

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

We currently intend to retain any future earnings to finance the operation and expansion of our business and we do not expect to declare or pay any dividends in the foreseeable future. Moreover, the terms of our outstanding convertible notes restrict our ability to pay dividends, and any additional debt we or any of our subsidiaries may incur in the future may include similar restrictions. As a result, stockholders must rely on sales of their common stock after price appreciation as the only way to realize any future gains on their investment.

We may issue additional shares of common stock or other equity securities without your approval, which would dilute your ownership interests and may depress the market price of our common stock.

As of December 31, 2023, we had options outstanding to purchase up to an aggregate of 121,427 shares of our common stock, unvested restricted stock units ("RSUs") totaling 209,946 shares, convertible notes outstanding which may convert into 124,808 shares of our common stock, 81,260 shares of our common stock held by the holders of Merida Holdings, LLC (the "Sponsor") shares prior to Merida's initial public offering that are subject to earn-out conditions, and Warrants outstanding to purchase 522,549 shares of our common stock. As of January 1, 2023, we also had the ability to issue up to 225,144 shares of common stock under the 2021 Plan and 59,304 shares of common stock under the Employee Stock Purchase Plan, and to issue up to an aggregate of 300,000 shares of common stock to former Leafly shareholders per the Merger Agreement and to Participants under the Earn-Out Plan.

We may issue additional shares of common stock or other equity securities of equal or senior rank in the future in connection with, among other things, future acquisitions or repayment of outstanding indebtedness, without stockholder approval, in a number of circumstances.

Our issuance of additional shares of common stock or other equity securities of equal or senior rank would have the following effects:

- Our existing stockholders' proportionate ownership interest in us will decrease;
- the amount of cash available per share, including for payment of dividends (if any) in the future, may decrease;
- the relative voting strength of each previously outstanding share of common stock may be diminished; and
- the market price of our shares of common stock may decline.

There is no guarantee that the Warrants will ever be in the money, and they may expire worthless.

Each Public Warrant entitles the holder to purchase 0.05 shares of common stock at an exercise price of $230.00 per whole share. Public Warrants may only be exercised for a whole number of shares. No fractional shares will be issued upon exercise of the Public Warrants. There is no guarantee that the Warrants will ever be in the money prior to their expiration on February 4, 2027, and as such, the Warrants may expire worthless.

Risks Relating to our Indebtedness

We may not have the ability to raise the funds necessary to repurchase the convertible notes upon a fundamental change or repay the convertible notes in cash at their maturity, and our future debt may contain limitations on our ability to pay cash upon redemption or repurchase of the convertible notes.

Holders of the convertible notes have the right under the terms of the convertible notes to require us to repurchase all or a portion of their convertible notes upon the occurrence of a fundamental change before the applicable maturity date at a repurchase price equal to 100% of the principal amount of such convertible notes to be repurchased plus accrued and unpaid interest to, but not including, the repurchase date. Moreover, we will be required to repay the convertible notes in cash at their maturity, unless earlier converted, redeemed or repurchased.

We may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of such convertible notes surrendered or pay cash with respect to the accrued and unpaid interest on such convertible notes being converted.

In addition, our ability to repurchase, redeem or to pay the accrued and unpaid interest in cash upon conversion of convertible notes may be limited by law, regulatory authority, or agreements governing our future indebtedness. Our failure to repurchase the convertible notes at a time when the repurchase is required by terms of the convertible notes or to pay the accrued and unpaid interest in cash upon conversion of such convertible notes as required by the terms of the convertible notes would constitute a default under such convertible notes. A default under the convertible notes or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the payment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the interest on such indebtedness and repurchase the convertible notes or to pay accrued and unpaid interest in cash upon conversion of the convertible notes.

We may still incur substantially more debt or take other actions that would diminish our ability to make payments on the convertible notes when due.

As disclosed above in *"— Operational Risks,"* there is substantial doubt about our ability to continue as a going concern and if adequate capital is not available to us when needed, or in the amounts required, we may be forced to terminate, significantly curtail or cease our operations or to pursue other strategic alternatives, including bankruptcy. We and our subsidiaries may be able to incur substantial additional debt in the future, subject to the restrictions contained in our debt instruments. We are subject to certain restrictions under the terms of the convertible notes, including limitations regarding incurring future indebtedness, subject to specific allowances in the convertible notes. However, we will not be restricted from recapitalizing our debt or taking a number of other actions that are not limited by the terms of the convertible notes that could have the effect of diminishing our ability to make payments on the convertible notes when due. Our indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under our debt instruments and executing on our business plan.

As of December 31, 2023, our total long-term debt was approximately $29.1 million, representing the $29.7 million principal of new convertible notes net of associated debt issuance costs. Our indebtedness could have important consequences to our current and potential investors. These risks include:

- inability to satisfy our obligations with respect to our debt instruments;
- inability to make borrowings to fund future working capital, capital expenditures and strategic opportunities, including acquisitions, further organic development of our business and expansions into adjacent businesses, and other general corporate requirements;
- limits on our distributions to stockholders;
- limits on future borrowings under our existing or future credit arrangements, which could affect our ability to pay our indebtedness or to fund our other liquidity needs;
- inability to generate sufficient funds to cover required interest payments;
- restrictions on our ability to refinance our indebtedness on commercially reasonable terms;
- limits on our flexibility in planning for, or reacting to, changes in our business and the cannabis industry; and
- inability to adjust to adverse economic conditions that could place us at a disadvantage to our competitors with less debt and who, therefore, may be able to take advantage of opportunities that our indebtedness prevents us from pursuing.

We are subject to risks associated with debt financing, including the risk that our cash flow could be insufficient to meet required payments on our debt. In particular, if as a result of macroeconomic conditions our revenues, cash flows and/or

EBITDA continue to decline or we incur additional indebtedness, we may be unable to make required payments on our debt or to satisfy the financial and other covenants contained in the convertible notes.

Restrictive debt covenants may limit our ability to pursue our growth strategy.

The convertible notes contain covenants restricting or limiting our ability to, among other things:

- incur additional indebtedness;
- pay dividends or make other restricted payments;
- make certain investments;
- create or permit liens;
- enter into mergers; and
- sell, transfer or exchange assets.

These restrictions may adversely affect our ability to pursue our growth strategy.

General Risks

Negative publicity could adversely affect our reputation and brand.

Negative publicity about our company, including our technology, sales practices, executive management and other personnel or customer service, or the cannabis industry more generally, could diminish confidence in and the use of our services. Our reputation and brand, the traffic to our website and mobile application, and our business may suffer if consumer sentiment towards our platform and services, or the cannabis industry more generally, turns negative. In addition, our website and mobile application publish opinion pieces and serve as platforms for expression by our users, and third parties or the public at large may attribute the political or other sentiments expressed on our platform to us, which could harm our reputation.

Our business depends in part on a strong brand, and any failure to maintain, protect and enhance our brand would hurt our ability to retain or expand our base of users, suppliers and partners, or our ability to increase their level of engagement.

We have developed a strong brand that we believe has contributed significantly to the success of our business. Maintaining, protecting and enhancing the "Leafly" brand is critical to expanding our base of users, suppliers and partners and increasing their engagement with our solutions, and will depend largely on our ability to maintain consumer trust in our service offerings and in the quality and integrity of the user content and other information found on our website and mobile application. Other factors affecting our brand recognition and reputation that we have the ability to influence include the following:

- the efficacy of our marketing efforts;
- our ability to maintain a high-quality, innovative, and error- and bug-free platform;
- our ability to maintain high satisfaction among suppliers and consumers;
- the quality and perceived value of our platform;
- successful implementation and development of new features, including alternative revenue streams;
- our ability to obtain, maintain and enforce trademarks and other indicia of origin that are valuable to our brand;
- our ability to successfully differentiate our platform from competitors' products;
- our compliance with laws and regulations, including those applicable to any political action committees that we may choose to support and to any lobbying activities we may undertake;
- our ability to provide support to our customers and suppliers;

- our ability to continue championing social justice, equity, and inclusion efforts; and
- any actual or perceived data breach or data loss, or misuse or perceived misuse of our platform.

In addition, our brand recognition and reputation may be affected by factors that are outside our control, such as:

- actions of competitors or other third parties;
- the quality and timeliness of our suppliers' order processing businesses;
- consumers' experiences with suppliers or products identified through our platform;
- positive or negative publicity, including with respect to events or activities attributed to us, our employees, partners or others associated with any of these parties;
- health, safety, or medical events involving cannabis products or hemp-derived products, whether or not attributed to us;
- interruptions, delays or cyber-attacks on our platform; and
- litigation or regulatory developments.

Damage to our reputation and loss of brand equity from one or more of the factors listed above may reduce demand for our platform and have a material adverse effect on our business, operating results and financial condition. Moreover, any attempts to rebuild our reputation and restore the value of our brand may be costly and time-consuming, and such efforts may not ultimately be successful.

We rely on the performance of highly skilled personnel, and if we are unable to attract, retain and motivate well-qualified employees and contractors, our business could be harmed.

We believe our success has depended, and continues to depend, on the efforts and talents of our employees, including our leadership team, software engineers, legal, finance, marketing professionals, sales staff and contractors. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees and contractors. Qualified individuals are in high demand, in particular software engineers, and we may incur significant costs to attract them. Our industry may pose additional challenges to attracting qualified individuals. In addition, the loss of any of our senior management or key employees could adversely affect our ability to execute our business plan, and we may not be able to find adequate replacements. All of our officers and other U.S. employees are at-will employees, which means they may terminate their employment relationship with us at any time, and their knowledge of our business and industry would be extremely difficult to replace. We cannot ensure that we will be able to retain the services of any members of our senior management or other key employees. If we do not succeed in attracting well-qualified employees and contractors or retaining and motivating existing employees and contractors, our business could be materially harmed.

If our security measures are compromised, or if our platform is subject to attacks that degrade or deny the ability of users to access our content, users may curtail or stop use of our platform.

Like all online services, our platform is vulnerable to computer viruses, break-ins, phishing attacks, attempts to overload our servers with denial-of-service or other attacks and similar disruptions from unauthorized use of our computer systems, any of which could lead to interruptions, delays, or website shutdowns, causing loss of critical data or the unauthorized disclosure or use of personally identifiable or other confidential information. If we experience compromises to our security that result in performance or availability problems, the complete shutdown of our website, or the loss or unauthorized disclosure of confidential information, our users or advertising partners may lose trust and confidence in us, and decrease the use of our platform or stop using our platform in its entirety. Moreover, we could be required or otherwise find it appropriate to expend significant capital and other resources to respond to, notify third parties of, or otherwise address the incident or breach and its root cause. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, and often are not recognized until launched against a target and may originate from less regulated and remote areas around the world, we may be unable to proactively address these techniques or to implement adequate preventative measures. Any or all of these issues could negatively impact our ability to attract new users or deter current users from returning and increasing engagement and traffic, cause existing or potential suppliers and advertising partners to cancel their contracts or subject us to third party lawsuits, regulatory fines or other action or liability, thereby harming our results of operations.

Our cash holdings could be materially, adversely affected if the financial institutions in which we hold our cash fail.

We maintain cash deposits in accounts at financial institutions in the U.S. and Canada. At times, our deposits in U.S. or Canadian financial institutions may exceed the amount of insurance provided on such deposits by the FDIC, the National Credit Union Administration ("NCUA"), or the Canada Deposit Insurance Corporation ("CDIC"), as applicable. If one or more of the financial institutions in which we hold cash deposits fails, we could lose all or a portion of our uninsured cash balances. If access to our cash accounts in the future is impaired, whether temporarily or otherwise, we may be unable to pay our operational expenses such as payroll or make other payments. For example, in 2023, Silicon Valley Bank and Signature Bank were shut down and went into receivership. We did not have a banking relationship with either of these banks. If other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, including the financial institutions in which we or our customers hold cash, our and our customers' ability to access existing cash, cash equivalents and investments may be threatened and could have a material adverse effect on our business and financial condition. If our customers lose access to their cash accounts in the future, their ability to pay us for our products and services may be materially impacted, which could also have a material adverse impact on our business and financial condition.

The impact of macroeconomic conditions in the United States and Canada, including the resulting effect on advertising and marketing spending by cannabis retail and brands businesses, may adversely affect our business, operating results and financial condition.

Our performance is subject to macroeconomic conditions and, particularly, their impact on levels of advertising spend by cannabis businesses, which are largely small and medium-sized businesses, and which may be disproportionately affected by economic downturns. In addition, our business may be directly affected by business cycles and other factors affecting the healthcare industry, due to the uses or potential uses of cannabis in the healthcare industry. To the extent that macroeconomic conditions in the United States and Canada (or other factors affecting the healthcare industry) materially deteriorate, our existing and potential customers may no longer consider investment in our advertising and marketing solutions a necessity, or may elect to reduce advertising and marketing budgets. Historically, economic downturns have resulted in overall reductions in advertising and marketing spending, although this was generally not the case during the economic downturn in 2020-2021 related to the COVID-19 pandemic. However, we experienced lower payment collection rates during the same period. In 2023, the cannabis industry was negatively impacted by macroeconomic conditions, including a sudden and significant decrease of investment in cannabis businesses and continued price deflation that began in 2022. These and other conditions resulted in financial hardship for certain cannabis businesses including a significant number of our paying brand and retailer customers, triggering higher than expected drops in revenues and immediate reductions in their marketing budgets. In turn, we experienced higher than expected rates of customer churn, bad debt expense and collection efforts in 2023, manifesting in a 30% decline in ending retail accounts for the year ended December 31, 2023 compared to the year ended December 31, 2022. If we cannot replace these accounts or if our customers continue to struggle financially or do not remain viable, our ability to generate new revenue, maintain existing revenue or collect on outstanding receivables could be adversely impacted, which could have a material adverse impact on our financial condition and results of operations.

In addition, even if our existing and potential customers have sufficient budgets, our web-based advertising and marketing solutions may be viewed by them as a lower priority and could cause them to reduce the amounts they spend on advertising, terminate their use of our advertising solutions or default on their payment obligations to us. In addition, economic conditions may adversely impact levels of consumer spending, which could adversely impact the numbers of consumers visiting our platform who convert to paying customers of our suppliers. Consumer purchases of discretionary items generally decline during recessionary periods and other periods in which disposable income is adversely affected. During times of economic hardship, if consumers do not convert to paying customers of our supplier at the rates they expect, our suppliers may be even more likely to decline to use our advertising and marketing solutions, which could have a material adverse effect on our financial condition and results of operations.

Our business is subject to the risks of earthquakes, fires, floods, droughts, climate change, crop failure due to weather or other factors, water shortages, epidemics, pandemics and other natural catastrophic events and to interruption by man-made problems such as computer viruses or terrorism.

Our systems and operations are vulnerable to damage or interruption from earthquakes, fires, floods, droughts, climate change, water shortages, epidemics, pandemics, power losses, telecommunications failures, terrorist attacks, acts of war, human errors, break-ins and similar events. For example, a significant natural disaster, such as an earthquake, fire or flood, could have a material adverse impact on our business, operating results and financial condition, and our insurance coverage may be insufficient to compensate us for losses that may occur. Our U.S. corporate operations are located in the Seattle area, a region known for seismic activity. In addition, acts of terrorism or civil unrest could cause disruptions in our or our suppliers' businesses or the economy as a whole. For more information see "— *Operational Risks — We rely upon cloud-based data centers, infrastructure and technologies provided by third parties, and technology systems and electronic networks supplied and managed by third parties, to operate our business, and interruptions or performance problems with these systems, technologies and networks may adversely affect our business and operating results.*"

Additionally, our brand and retailer clients rely on agricultural businesses to grow cannabis. As such, our suppliers' businesses, and accordingly our business, are subject to the risks inherent in the agricultural business, including the risk of crop failure presented by weather, insects, plant diseases and similar agricultural risks. Any interruption in the business of cannabis growers due to such risks may have a material adverse effect on our business.

Our business, results of operations and financial condition could in the future be materially adversely affected by the COVID-19 pandemic.

COVID-19 has had, and continues to have, a significant impact around the world, prompting governments and businesses to take unprecedented measures in response. Such measures have included restrictions on travel and business operations, temporary closures of businesses, and quarantine and shelter-in-place orders. The COVID-19 pandemic has at times significantly curtailed global economic activity and caused significant volatility and disruption in global financial markets.

We continue to monitor the situation and take appropriate actions in accordance with the recommendations and requirements of relevant authorities. If governmental restrictions remain in place, additional prevention and mitigation measures are implemented in the future, or there is uncertainty about the effectiveness of these or any other measures to contain or treat COVID-19, there is likely to be an adverse impact on global economic conditions and consumer confidence and spending, which could materially and adversely affect our operations as well as our relationships with suppliers and consumers. For example, during the course of the pandemic, some of our suppliers' operations and supply chains were significantly disrupted and caused a temporary significant decrease in activity on our platform.

The extent to which the COVID-19 pandemic may impact our operational and financial performance remains uncertain and will depend on future developments, including the duration, spread and intensity of the pandemic, the emergence of new variants, the development, availability, distribution and effectiveness of vaccines and treatments, and potential governmental and other restrictions resulting therefrom, all of which are uncertain and difficult to predict considering the constantly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on our business. However, if the pandemic continues to persist as a severe worldwide health crisis, our business, results of operations and financial condition may be materially adversely impacted, and it may also have the effect of heightening many of the other risks described in this "*Risk Factors*" section.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 1C. CYBERSECURITY

Our Cybersecurity Approach and Strategy

Our cybersecurity approach includes consideration of information security controls in aspects of the business where unauthorized occurrences could adversely affect the confidentiality, integrity, or availability of our information systems as part of our overall risk management strategy, looking to the National Institute of Standards and Technology's Cybersecurity Framework ("NIST CSF") as a guide in how we identify, assess, and mitigate material cybersecurity risks. Cyber risk management encompasses partnerships among teams that are responsible for cybersecurity governance, prevention, detection, and remediation activities within our Company's cybersecurity environment.

We have engaged external cybersecurity professionals to help design and manage our security program. These experts conduct annual penetration testing and incident response tabletop exercises, make recommendations on how to continuously improve our cybersecurity program, and assist us in implementing their recommendations into our existing processes.

Accordingly, we have implemented processes for overseeing, detecting and identifying material risks from cybersecurity vulnerabilities and threats, and technical, process, and people related security controls designed to mitigate material cybersecurity risks. We also maintain an Incident Response Plan, which defines the procedures for evaluating, and reporting cybersecurity incidents to executive leadership. The Incident Response Plan also creates a framework and delegates tasks to appropriate personnel for responding to a cybersecurity incident based on the severity of an incident. These processes are integrated into our overall risk management strategy.

Our ongoing cyber risk management efforts include penetration testing to assess and manage cybersecurity risks and monthly reviews of our risk register, which are updated on an ongoing basis. From time-to-time, we also provide enterprise-wide cybersecurity training for employees to continuously improve our mitigation against human-driven vulnerabilities.

We have experienced security incidents in the past, which we believe were immaterial and were not reportable under applicable state law or our other obligations; however, there can be no assurance that our determinations were correct. We do not believe there are material risks from cybersecurity threats, including as a result of previous incidents, that have materially affected or are reasonably likely to materially affect our business strategy, results of operations or financial condition.

Oversight of Third-Party Service Providers

We manage cybersecurity risks through our use of third-party service providers by integrating our mitigation strategies throughout various functional areas within the Company, including but not limited to the Company's business segments and information technology, engineering, infrastructure, and legal departments. These strategies include, as applicable, conducting technical assessments at the outset of any third-party service provider engagement, limiting the disclosure or transfer of information to an as-needed basis by way of technical infrastructure, and contractually requiring third parties to maintain security controls and protect our information and maintain established notification protocols in the event of any known material data breach using industry best practices.

Responsibilities of Management and Board

Management

Our Senior Vice President of Product, who has extensive cybersecurity knowledge from over 20 years of experience in leadership roles at technology companies ranging in maturity from various startups to Sony, a large billion dollar corporation, leads the team responsible for overseeing, managing, and assessing our material cybersecurity risks, and works in close coordination with other members of leadership, infrastructure, and information technology, and our external professional providers to maintain cybersecurity risk management and data protection.

Board

Our Board oversees the risk management activities designed and implemented by our management. Our Board executes its oversight responsibility both directly and through its committees, and has delegated the responsibility of providing oversight of cybersecurity risks to its Audit Committee, including oversight over the steps management takes to monitor and control such exposures. Our Senior Vice President of Product and external cybersecurity professionals are responsible for overseeing, managing and assessing material cybersecurity risks, and periodically report to the Audit Committee on the ongoing development, status and health of our cybersecurity program and material cybersecurity risks or incidents, if any.

Item 2. PROPERTIES

Leafly's corporate headquarters is in Seattle, Washington. Many of our employees are geographically dispersed, with our largest cluster of employees outside of Seattle based in California. As of December 31, 2023, we did not have any material physical properties used in our operations in Seattle or elsewhere. Deferring the use of any material physical properties and moving to a fully remote workforce after the impact of COVID-19 has allowed us to best serve the needs of our employees and reinvest those capital resources into our business.

Item 3. LEGAL PROCEEDINGS

We are involved in, and from time to time may become involved in, investigations, claims, lawsuits, audits or other proceedings arising in the ordinary course of our business. In accordance with applicable accounting guidance, we establish accruals for all lawsuits, claims and expected settlements when we believe it is probable that a loss has been incurred and the amount of the loss is reasonably estimable. When a loss contingency is not both probable and reasonably estimable, we do not establish an accrual. Any such loss estimates are inherently uncertain, based on currently available information and are subject to management's judgment and various assumptions. Due to the inherent subjectivity of these estimates and unpredictability of outcomes of legal proceedings, any amounts accrued may not represent the ultimate resolution of such matters.

To the extent we believe any potential loss relating to such lawsuits and claims may have a material impact on our liquidity, consolidated financial position, results of operations, and/or our business as a whole and is reasonably possible but not probable, we would disclose information relating to any such potential loss, whether in excess of any established accruals or where there is no established accrual. We also would disclose information relating to any material potential loss that is probable but not reasonably estimable. Where reasonably practicable, we would provide an estimate of loss or range of potential loss. No disclosures are generally made for any loss contingencies that are deemed to be remote.

Based on information available to us and our review of active proceedings, we have not recognized a material accrual liability for these matters, nor do we currently expect it is reasonably possible that these matters will result in a material liability to us. However, such proceedings are inherently unpredictable and could result in sanctions, damages, fines and other penalties that could, individually, or in the aggregate, materially impact our financial condition or results of operations.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock, par value $0.0001 per share, and warrants to purchase shares of our common stock are currently traded on the Capital Market, and from February 4, 2022 until April 21, 2023, traded on the Nasdaq Global Market, under the symbols LFLY and LFLYW, respectively. From November 7, 2019 until February 3, 2022, our common stock and warrants traded on the Nasdaq Global Market under the trading symbols "MCMJ" and "MCMJW," respectively.

Holders

The aggregate number of stockholders of record as of March 20, 2024 was 221.

Dividend Policy

We have never paid any cash dividends on our common stock. We anticipate that we will retain funds and future earnings to support operations and to finance the growth and development of our business. Therefore, we do not expect to pay cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements and other factors that our board of directors deems relevant. Moreover, the terms of our outstanding convertible notes restrict our ability to pay dividends, and any additional debt we or any of our subsidiaries may incur in the future may include similar restrictions.

Item 6. RESERVED

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 "Item 8. Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. 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 this Annual Report on Form 10-K.

Amounts in this section are presented in thousands, except for share and 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 131 total employees, including 128 in the U.S. and 3 in Canada as of December 31, 2023.

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 by offering 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.

Significant Events

Reverse Stock Split

On September 12, 2023, the Company implemented a one-for-twenty reverse split of its common stock (Note 11). To facilitate comparative analysis, all statements in this Annual Report regarding numbers of shares of common stock and all references to prices of a share of common stock, if referencing events or circumstances occurring prior to September 12, 2023, have been retroactively restated to reflect the effect of the reverse stock split on a pro forma basis.

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 area of focus toward lower-funnel, more shoppable content to maximize consumer demand for our retailer customers by attracting visitors who 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. Accordingly, as of the third quarter of 2023, we no longer report monthly active users ("MAU") as a key metric. 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 our revenue growth during the third and fourth quarters of 2023 as our team was focused on process change.

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 the following previously-announced headcount reductions:

- 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.

The restructuring plans above have been implemented and are expected to continue contributing to the cash savings of the Company. 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. The Company continues to refine its staffing plans in order to be better situated to become profitable in future periods.

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:

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. We believe this metric is helpful for investors because it represents a portion of the volume element of our revenue and provides an indication of our market share. Management believes this metric offers useful information in understanding consumer behavior, trends in our business, and our overall operating results.

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. We believe this metric is helpful for investors because it represents the price element of our revenue. Management believes this metric offers useful information in understanding consumer behavior, trends in our business, and our overall operating results.

Results of Operations

Key Metrics

The table below presents these measures for the respective periods:

	Year Ended December 31,			
	2023	**2022**	**Change**	**Change (%)**
Key Operating Metrics:				
Ending retail accounts[1]	4,075	5,806	(1,731)	-30%
Retailer ARPA[2]	$ 607	$ 566	$ 41	7%

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

The 30% decline in year-over-year ending retail accounts for the year ended December 31, 2023, compared to 2022, was primarily related to customer budget constraints and Leafly's removal of non-paying customers. As part of our efforts to understand trends, we've analyzed our lost accounts to gain insight into why they left the platform. Using that data, we are seeking to create a more tailored approach to reactivation when it makes sense while offering pricing that we believe better aligns with individual retailer needs and budgets. With this more thoughtful approach, we expect fewer accounts churning for non-payment or delinquency given that our non-paying accounts have already been removed. We expect to see better alignment of reacquired customers to the right product at the right price with a more durable retailer base.

The 7% increase in ARPA for the year ended December 31, 2023, compared to 2022 was due largely to previously implemented pricing increases and the lower retail account base discussed above.

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

	Year Ended December 31,			
	2023	**2022**	**Change ($)**	**Change (%)**
Revenue:				
Retail	$ 35,923	$ 36,742	$ (819)	-2%
Brands	6,329	10,621	(4,292)	-40%
Total revenue	$ 42,252	$ 47,363	$ (5,111)	-11%

Retail

Retail subscriptions revenue decreased $770 and digital display ads decreased $365, partially offset by an increase in other revenues of $319, for the year ended December 31, 2023 as compared to 2022. Digital media display ads revenue declines were due to decreased volume of display ads sold. For the year ended December 31, 2023, the decrease in retail subscription revenue as compared to 2022 was primarily due to customer churn and marketplace dynamics which offset the favorable impact of the price increase in the third quarter.

Brands

Macro challenges, including changes in state regulatory provisions, have put overall pressure on the cannabis industry which has impacted and is expected to continue to impact our brand advertising business. For the year ended December 31, 2023 as compared to 2022, Brands revenue decreased $4,292, due primarily to direct-to-consumer marketing revenue decrease of $1,586, a reduction in display ads of $1,576 and a branded content decrease of $774.

Cost of Revenue

	Year Ended December 31,			
	2023	2022	Change ($)	Change (%)
Cost of sales: [1]				
Retail	$ 4,088	$ 4,432	$ (344)	-8%
Brands	713	1,428	(715)	-50%
Total cost of sales	$ 4,801	$ 5,860	$ (1,059)	-18%

Retail

Retail cost of sales reductions were driven by increased efficiency and lower platform costs. For the year ended December 31, 2023 as compared to 2022, retail cost of revenue decreased $344 due to decreased website infrastructure costs of $151 and labor allocation costs of $229, partially offset by an $36 increase in business platform and merchant processing costs.

Brands

Brands cost of sales reductions were a consequence of declining revenues and, to a lesser extent, increased efficiency. Brands cost of revenue decreased $715 for the year ended December 31, 2023 as compared to 2022, of which $525 corresponds to decreased associated revenue. Brands cost of revenue also decreased $190 due to reduced labor allocation costs.

Operating Expenses

As described below, operating expenses declined significantly overall as a result of the two reductions in force and cost reduction activities discussed above.

	Year Ended December 31,			
	2023	2022	Change ($)	Change (%)
Operating expenses:				
Sales and marketing	$ 12,504	$ 27,080	$ (14,576)	-54%
Product development	9,848	14,988	(5,140)	-34%
General and administrative	22,150	27,440	(5,290)	-19%
Total operating expenses	$ 44,502	$ 69,508	$ (25,006)	-36%

Sales and Marketing

Sales and marketing expenses decreased $14,576 for year ended December 31, 2023 as compared to 2022 due to:

- a $9,423 decrease in compensation costs;
- a $3,964 reduction in advertising and marketing spending;
- a $660 reduction in professional services; and
- a $529 reduction in other costs.

Product Development

Product development expenses decreased $5,140 for the year ended December 31, 2023 as compared to 2022 due to:

- a $4,358 decrease in compensation costs (or $5,483 excluding capitalized costs). Product development expenses are reported net of $1,345 and $2,470 of costs capitalized to internal-use software for the years ended December 31, 2023 and 2022, respectively;
- a $1,235 reduction in professional services; and
- a $127 reduction in other costs; partially offset by:
- a $580 increase in depreciation expense primarily related to capitalized internal use software.

General and Administrative

General and administrative expenses decreased $5,290 for the year ended December 31, 2023 as compared to 2022 due to:

- a $2,901 decrease in compensation costs, including a $1,213 decrease in stock-based compensation expense, which was attributable to the modification of awards in the first quarter of 2022 (Note 13);
- a $1,829 reduction in insurance;
- an $1,134 decline in other costs; and
- a $815 decrease in professional services; partially offset by
- a $1,389 increase in bad debts expense due to slowing collections in 2023.

Other Income and Expense

	Year Ended December 31,			
	2023	2022	Change ($)	Change (%) [1]
Other income (expense):				
Interest expense, net	$ (2,778)	$ (2,811)	$ 33	-1%
Change in fair value of derivatives	309	36,823	(36,514)	nm
Other expense, net	22	(937)	959	nm
Total other income (expense)	$ (2,447)	$ 33,075	$ (35,522)	nm

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

Interest expense for the year ended December 31, 2023 was similar to that of the 2022.

The change in fair value of derivatives for the year ended December 31, 2023 as compared to 2022 was 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 during 2022. See Note 15 to our consolidated financial statements within this Annual Report for details on the valuations and the fair value changes in the periods presented.

Other expense, net decreased for the year ended December 31, 2023 as compared to 2022 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.

Net (Loss) Income

Net loss was $9,498 for the year ended December 31, 2023, compared to net income of $5,070 for the year ended December 31, 2022. The $14,578 reduction in net (loss) income was due to the change in fair value of derivatives in 2022 and the decline in revenues during 2023, both of which were partially offset by the realization of cost savings from the 2022 and 2023 reductions in force, as discussed above.

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) 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) income (the most directly comparable to accounting principles generally accepted in the United States of America ("GAAP") financial measure) to EBITDA and from EBITDA to Adjusted EBITDA.

We present EBITDA and Adjusted EBITDA because these metrics are key measures 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.

EBITDA and Adjusted EBITDA have limitations as analytical tools, 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 to be 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) income and our other GAAP results.

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

	Year Ended December 31,	
	2023	2022
Net (loss) income	$ (9,498)	$ 5,070
Interest expense, net	2,778	2,811
Depreciation and amortization expense	986	449
EBITDA	(5,734)	8,330
Stock-based compensation	2,955	3,917
Transaction expenses allocated to derivatives and reverse stock split	55	874
Severance costs	754	492
Change in fair value of derivatives	(309)	(36,823)
Adjusted EBITDA	$ (2,279)	$ (23,210)

The decrease in EBITDA for the year ended December 31, 2023 versus 2022 is primarily due to the change in fair value of derivatives in 2022 as a result of the decline in Leafly's stock price. See Note 15 to our consolidated financial statements within this Annual Report for more information regarding the fair value of derivatives. The increase in Adjusted EBITDA for the year ended December 31, 2023 versus 2022 reflects the cost savings resulting from Leafly's reductions in force and cost cutting measures described above.

Financial Condition

Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents, and restricted cash totaled $15,544 and $25,202 as of December 31, 2023 and 2022, respectively. Explanations of our cash flows for the periods presented follow.

Cash Flows

Year Ended December 31, 2023

During the year ended December 31, 2023, the Company utilized a total of $9,658 of cash primarily to fund: cash operating losses of approximately $2,492; changes in current assets and liabilities of $6,112; and investing activities (primarily capitalized software costs) of $1,316. The changes in current assets and liabilities during 2023 included reductions in accrued expenses of $3,826 primarily related to the payment of 2022 bonuses and accrued interest as well as the change in accounts receivable of $2,104, offset by the change in prepaid expenses and other current assets of $825 related to the payment of directors and officers' insurance. Of the $9,658 of cash used during 2023, $9,639 was expended during the first quarter, reflecting our concerted efforts to become cash flow positive during the remainder of 2023.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

As compared to 2022, cash used in operations decreased by $19,484 to $8,604 for the year ended December 31, 2023, mainly due to decreased net loss from operations as a result of the reductions in force and the cost cutting measures employed in 2022 and 2023. See discussions under *"— Significant Events"* and *"— Results of Operations"* above for more information. Cash used in investing activities decreased $1,154 to $1,316 primarily due to lower software capitalization in 2023. Cash and restricted cash provided by financing decreased $26,803 to $262 for 2023, primarily due to proceeds from the convertible promissory notes and the closing of the Business Combination in 2022. See Notes 3, 11, and 12 to our consolidated financial statements within this Annual Report for more information.

Deferred Revenue

Deferred revenue is primarily related to software subscriptions and display ads. The revenue deferred at December 31, 2023 is expected to be recognized in the near term. See Note 8 to our consolidated financial statements within this Annual Report for further discussion.

Contractual Obligations and Other Planned Uses of Capital

We are obligated to repay the operating liabilities on our Consolidated Balance Sheets, such as accrued liabilities. In addition, we are obligated to pay any convertible 2022 Notes when they come due on January 31, 2025 that do not ultimately convert to equity. See Note 9 to consolidated financial statements within this Annual Report for more information.

Liquidity and Capital Resources

We primarily fund our operations and capital expenditures through cash flows generated by operations and our cash, cash equivalents and restricted cash on hand. Our principal liquidity needs in the "near-term" (within the next twelve months) include the direct costs associated with revenues earned, operating expenses, payment of interest on the 2022 Notes and tax payments. 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.

To the extent existing sources of liquidity are not sufficient to fund future activities, meet our payment obligations under the 2022 Notes or pursue strategic opportunities, we may need to raise additional funds, which we may seek to do through equity or debt financings, or seek to refinance the 2022 Notes. Any additional equity financing may be dilutive to stockholders. Debt financing, if available, may involve agreements that include equity conversion rights, covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, expending capital, or pursuing certain business opportunities. There can be no assurance that, if needed, we will be able to obtain additional or adequate financing or to refinance or restructure our indebtedness on terms favorable to us, if at all. See, *Part I, Item 1A Risk Factors* under the headings "*Operational Risks — We may need to raise additional capital, which may not be available on favorable terms, if at all, causing dilution to our stockholders, restricting our operations or adversely affecting our ability to operate our business." and "— Risks Relating to our Indebtedness".*

Going Concern Assessment

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. We have $29,700 of 2022 Notes maturing on January 31, 2025 (Note 9) and based on our current liquidity position would not be able to repay the 2022 Notes when due. In addition, we have experienced revenue declines, used cash from operations, and relied on the capital raised in the Business Combination to continue ongoing operations. We have incurred operating losses since our inception and had an accumulated deficit of $74,198 and $64,700 at December 31, 2023 and 2022, respectively. 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 our 2023 financial statements are issued. In response to these conditions, we took the following actions:

- We implemented previous restructuring plans, most recently in the fourth quarter of 2022 and during the first quarter of 2023, which reduced our labor force and substantially decreased costs in fiscal year 2023 as compared to fiscal year 2022. We still expect to recognize the full-year impact of our 2023 restructuring in 2024.
- During the fourth quarter of 2023, we began exploring opportunities to address the upcoming maturity of our 2022 Notes. In December 2023, we worked with our noteholders and converted $300 of the outstanding principal to equity.
- In early 2024, we began an initiative that we believe will improve revenues by hiring 8 sales professionals and implementing improved selling strategies.

We are closely monitoring and reducing operating expenses where we are able to, while ensuring the trajectory and viability of the business remains intact. However, we cannot meet our debt maturity obligations without a significant capital infusion or a lender's commitment to refinance our debt. After considering all available evidence, Leafly determined that the combined impact of our cost reduction measures, our current positive working capital of $13,922 as of December 31, 2023 and planned operations will not be sufficient to meet our capital requirements for a period of at least twelve months from the date that our December 31, 2023 financial statements are issued. We believe substantial doubt exists about our ability to continue as a going concern within one year of the date our 2023 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 9 to our consolidated financial statements within this Annual Report provides additional information regarding the 2022 Notes.

Noncompliance with Nasdaq Continued Listing Standards

On November 2, 2022, we received a letter from the Staff indicating that the Company did not meet the Nasdaq's Bid Price Requirement and that we had until May 1, 2023 to regain compliance. On May 2, 2023, as a result of the Company failing to regain compliance with the Bid Price Requirement, we received a letter from Nasdaq notifying us that the Company's securities would be subject to delisting from Nasdaq unless we timely requested a hearing before the Panel and submitted a plan of compliance. We submitted a plan and on May 23, 2023, the Panel approved it, giving us until October 30, 2023 to regain compliance with the Bid Price Requirement. On September 29, 2023, we received formal notice from Nasdaq ("Compliance Notice") confirming that the Company regained compliance with the Bid Price Requirement, will continue to be listed and traded on the Capital Market and the listing matter was closed. As of the date of the Compliance Notice, we met the Net Income standard, as set forth in Nasdaq Listing Rule 5550(b)(3) (Note 10). However, the Company currently does not meet any of the three Continued Listing Standards, as discussed below.

Nasdaq Listing Rule 5550 requires a Company listed on the Capital Market to continuously meet at least one of the Continued Listing Standards set forth in Nasdaq Listing Rule 5550(b), as follows:

Continued Listing Standard	**Requirement**	**Leafly's Position as of December 31, 2023**
"Stockholders' Equity"	Minimum $2.5 million	Negative $12.5 million
"Market Value of Listed Securities"	Minimum $35 million	$10.8 million
"Net Income"	Minimum $500 thousand from continuing operations – most recent fiscal year or in two of three of last three fiscal years	Loss of $9.5 million

As shown above, we do not currently comply with the Continued Listing Standards, and we expect to receive a notification from Staff of the Nasdaq confirming our noncompliance. Within 45 calendar days from the date of receiving the Staff's notification, we will have the right to submit to Nasdaq a plan to regain compliance with Nasdaq's Stockholders' Equity and/or Market Value of Listed Securities standards, and the Staff may grant us an extension of up to 180 calendar days from the date this Annual Report is filed for us to evidence compliance.

To comply with the Stockholders' Equity standard, the value of Leafly's stockholders' equity must exceed $2.5 million on or before the end of any extension we may receive from the Staff. To comply with the Market Value of Listed Securities standard, the total market value of Leafly's listed securities, calculated as Leafly's total shares outstanding multiplied by the daily closing bid price, must be $35 million or more for a minimum of 10 consecutive business days at any time before the end of any extension we may receive from the Staff. We can give no assurances that the Staff will grant us an extension or, even if the Staff grants us an extension, that we will be given the full 180 calendar days or that we will be able to comply with the Continued Listing Standards.

If we do not comply with the Continued Listing Standards prior to the expiration of any extension that may be granted by the Staff, or if the Staff declines to grant an extension after reviewing our compliance plan submission, or if we do not submit a compliance plan after receiving the Staff's notification, the Nasdaq Listing Rules require the Staff to provide written notification to us that our securities will be delisted, subject to the right to appeal any such delisting determination to a Hearings Panel.

In addition, from January 1, 2024 until March 25, 2024, Leafly was out of compliance with Nasdaq Listing Rule 5605(c)(2)(A) (the "Audit Committee Rule"), which requires our Board's Audit Committee to be composed of at least three independent members. On January 3, 2024, we received a letter (the "Notice") from the Staff confirming Leafly's noncompliance with the Audit Committee Rule and providing Leafly with a cure period to regain compliance (i) until the earlier of Leafly's next annual meeting of stockholders or January 2, 2025; or (ii) if the next annual meeting of stockholders is held before July 1, 2024, then Leafly must evidence compliance no later than July 1, 2024 (the "Cure Period"). The Notice did not immediately affect the listing of Leafly's common stock or warrants, and its common stock and warrants continue to trade on Nasdaq. On March 25, 2024, the Board appointed two new independent directors, Jeffrey Monat and Andres Nannetti, to the Board and to the Board's Audit Committee. As a result, on April 1, 2024, the Company received written notice from the Staff confirming that the Company regained compliance with the Audit Committee Rule and this matter is now closed.

Off-Balance Sheet Arrangements

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

Contractual Obligations

Other than our 2022 Notes (see Note 9 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.

Related Party Relationships

See Note 14 to our consolidated financial statements within this Annual Report for information on the Company's related party relationships and transactions.

Critical Accounting Estimates

The preparation of financial statements and related disclosures 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 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 that of our significant accounting policies described in Note 2, *"Basis of Presentation and Significant Accounting Policies"*, in the Notes to Consolidated Financial Statements included in *Part II, Item 8 — "Financial Statements and Supplementary Data"*, the critical accounting estimates, assumptions, and judgments that have the most significant impact on our consolidated financial statements are described below (references to Notes refer to the aforementioned notes to the Consolidated Financial Statements).

Income Taxes

We record deferred tax assets and liabilities based on the net tax effects of tax credits, operating loss carryforwards, and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes compared to the amounts used for income tax purposes. We regularly review our deferred tax assets for recoverability with consideration for such factors as historical losses, projected future taxable income, and the expected timing of the reversals of existing temporary differences. A valuation allowance is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management believes the U.S. deferred tax assets, based largely on the history of U.S. tax losses, warrant a full valuation allowance based on the weight of available negative evidence. At December 31, 2023, we had recognized deferred tax assets of $38,606 net of valuation allowances of $38,598 (Note 17).

Stock-Based Compensation

Stock-based compensation expense represents the cost of the grant date fair value of stock option, restricted stock unit or performance stock unit grants, estimated in accordance with the applicable accounting guidance, recognized on a straight-line basis over the vesting period. The fair value of stock options with service or performance conditions is estimated on the date of grant using the Black-Scholes option pricing model, inclusive of assumptions for risk-free interest rates, expected dividends, expected terms, expected volatility, and the fair value of the underlying stock. The fair value of restricted stock awards with service or performance conditions is estimated on the date of grant based on the market value of the Company's common stock. The fair value of stock options and restricted stock units with market-based conditions is estimated on the date of grant using a Monte Carlo simulation model, inclusive of assumptions for risk-free interest rates, expected terms, expected volatility, and the market target. Significant changes to the key assumptions underlying the factors used could result in different fair values of stock options at each valuation date, which could result in different stock-based compensation expense. Stock-based compensation expense for the year ended December 31, 2023 was $2,955. During 2023, the Company primarily granted awards for which there was little requirement for estimation including: i) service-based RSUs to its employees and directors with a total fair value of $1,557; and ii) performance stock units ("PSUs") with performance conditions and a total fair value of $196 (Note 13).

Allowance for Credit Losses

Allowance for credit risk for accounts receivables and contract assets is established based upon historical experience and loss patterns, the number of days that billings are past due, an evaluation of the potential risk of loss associated with delinquent accounts and known delinquent accounts. The allowance reflects our best estimate of probable losses associated with the accounts receivable balance. It is based upon historical experience and loss patterns, the number of days that billings are past due, an evaluation of the potential risk of loss associated with delinquent accounts, and known delinquent accounts. When new information becomes available that allows us to estimate the allowance more accurately, we makes an adjustment, which is considered a change in accounting estimate. If our estimate of uncollectible accounts is too low, credit loss expense may increase in future periods, and if it is too high, credit loss expense may decrease in future periods. At December 31, 2023, the allowance for credit loss was $1,398 and during the year ended December 31, 2023, we recognized a provision for credit loss of $2,767 and write-offs of uncollected accounts of $2,277 (Note 4).

Capitalized Software

Leafly capitalizes certain costs related to acquisition and development of software for internal use, including internal labor costs incurred during development. The Company begins to capitalize these costs when planning and design efforts are successfully completed and development is ready to commence, management has authorized and committed project funding; and it is probable that the project will be completed and the software will be used as intended. The Company capitalizes certain implementation costs incurred related to cloud computing arrangements that are service contracts. The Company places capitalized software assets into service and commences amortization when the asset is substantially complete and ready for its intended use. Once placed into service, the Company capitalizes qualifying costs of specified upgrades or enhancements to the assets when the upgrade or enhancement will result in new or additional functionality. The Company's estimated useful life for capitalized software is three years, and amortization is calculated using the straight-line method. Significant judgment is required to determine the amounts capitalized and the service periods. During the year ended December 31, 2023, Leafly capitalized internal-use software costs totaling $1,345 (Note 6).

Valuations

Derivative Liabilities

As of December 31, 2023, derivative liabilities totaled $128 and consisted of derivative liabilities for our private warrants (Note 12), escrow shares and stockholder earn-out rights (Note 11). At the time of the Merger on February 4, 2022, we recorded aggregate derivative liabilities of $51,085 including a derivative liability associated with the forward share purchase agreements, which were settled in the third quarter of 2022 (Note 12). We measure derivative liabilities at fair value at each reporting date until settlement with the re-measurement gain or loss being recognized immediately in net (loss) income. We calculate fair value of the derivative liabilities using either a Monte Carlo simulation or the Black-Scholes model, as appropriate. Significant assumptions are used in the valuation of derivative liabilities, including the expected term, volatility and our stock price. The assumptions used in computing the fair value of derivative liabilities reflect our best estimates, but involve uncertainties relating to market and other conditions, many of which are outside of our control. For a discussion of the fair value inputs, refer to Note 15 "Fair Value Measurements" to the consolidated financial statements. For the year ended December 31, 2023, the impact of the remeasurement and settlement of these derivative liabilities was a gain of $309.

2022 Notes

As of December 31, 2023, the net carrying amount of the 2022 Notes was $29,085 with an estimated fair value of approximately $27,793. 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 (Note 9). The assumptions used in computing the fair value of the 2022 Notes reflect our best estimates, but involve uncertainties relating to market and other conditions, many of which are outside of our control. Changes in the fair value of the 2022 Notes will not impact their carrying value in the Company's consolidated financial statements, but could be indicative of our ability to obtain similar financing.

Item 7A. 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 furnish the information required by Item 305 of Regulation SK.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of
Leafly Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Leafly Holdings, Inc. (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for each of the two years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor since 2019.

San Jose, California

April 1, 2024

PCAOB ID # 688

LEAFLY HOLDINGS, INC

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	As of December 31, 2023	As of December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 15,293	$ 24,594
Accounts receivable, net of allowance for credit loss of $1,398 and $908, respectively	2,635	3,298
Prepaid expenses and other current assets	1,074	1,792
Restricted cash	—	360
Total current assets	19,002	30,044
Property, equipment, and software, net	2,554	2,285
Restricted cash - long-term portion	251	248
Other assets	28	135
Total assets	$ 21,835	$ 32,712
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	$ 813	$ 1,625
Accrued expenses and other current liabilities	2,503	6,235
Deferred revenue	1,764	1,958
Total current liabilities	5,080	9,818
Non-current liabilities		
Non-current portion of convertible promissory notes, net	29,085	28,863
Private warrants derivative liability	104	182
Escrow shares derivative liability	4	52
Stockholder earn-out rights derivative liability	20	204
Total non-current liabilities	29,213	29,301
Total liabilities	34,293	39,119
Commitments and contingencies (Note 10)		
Stockholders' deficit		
Preferred stock: $0.0001 par value; 5,000,000 and 5,000,000 authorized; 0 and 0 issued and outstanding; aggregate liquidation preference of $0 and $0 at December 31, 2023 and December 31, 2022, respectively	—	—
Common stock: $0.0001 par value; 200,000,000 and 200,000,000 authorized; 2,392,568 and 2,163,756 issued at December 31, 2023 and December 31, 2022, respectively	—	—
Treasury stock: 154,055 and 154,055 shares held at December 31, 2023 and December 31, 2022, respectively	(31,663)	(31,663)
Additional paid-in capital	93,403	89,956
Accumulated deficit	(74,198)	(64,700)
Total stockholders' deficit	(12,458)	(6,407)
Total liabilities and stockholders' deficit	$ 21,835	$ 32,712

See Notes to Consolidated Financial Statements.

LEAFLY HOLDINGS, INC

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share amounts)

	Year Ended December 31,	
	2023	**2022**
Revenue	$ 42,252	$ 47,363
Cost of revenue	4,801	5,860
Gross profit	37,451	41,503
Operating expenses		
Sales and marketing	12,504	27,080
Product development	9,848	14,988
General and administrative	22,150	27,440
Total operating expenses	44,502	69,508
Loss from operations	(7,051)	(28,005)
Interest expense, net	(2,778)	(2,811)
Change in fair value of derivatives	309	36,823
Other income (expense), net	22	(937)
Net (loss) income	$ (9,498)	$ 5,070
Net (loss) income per share:		
Basic	$ (4.74)	$ 2.89
Diluted	$ (4.74)	$ 2.50
Weighted average shares outstanding:		
Basic	2,005,549	1,754,012
Diluted	2,005,549	1,887,024

See Notes to Consolidated Financial Statements.

LEAFLY HOLDINGS, INC

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT

(in thousands except share amounts)

	Year Ended December 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	—	$ —	2,163,766	$ —	(154,055)	$ (31,663)	$ 89,956	$ (64,700)	$ (6,407)
Net loss	—	—	—	—	—	—	—	(9,498)	(9,498)
Stock-based compensation	—	—	—	—	—	—	2,955	—	2,955
Conversion of 2022 Notes to common stock	—	—	60,265	—	—	—	324	—	324
Reverse stock split	—	—	34,192	—	—	—	—	—	—
Issuance of common stock under ESPP	—	—	20,142	—	—	—	168	—	168
Issuance of common stock upon vesting of restricted stock units	—	—	114,203	—	—	—	—	—	—
Balance at December 31, 2023	—	$ —	2,392,568	$ —	(154,055)	$ (31,663)	$ 93,403	$ (74,198)	$ (12,458)

LEAFLY HOLDINGS, INC

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT

(in thousands except share amounts)

	Year Ended December 31, 2022								
	Preferred Stock		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at January 1, 2022	307,000	$ 1	1,254,300	—	—	$ —	$ 61,197	$ (69,770)	$ (8,572)
Net income	—	—	—	—	—	—	—	5,070	5,070
Stock-based compensation	—	—	—	—	—	—	3,917	—	3,917
Issuance of Common Stock upon vesting of restricted stock units	—	—	15,479	—	—	—	—	—	—
Exercise of stock options	—	—	7,225	—	—	—	158	—	158
Conversion of 2021 Notes into Common Stock upon Business Combination	—	—	206,400	—	—	—	33,024	—	33,024
Conversion of Preferred Stock into Common Stock upon Business Combination	(307,000)	(1)	307,000	—	—	—	1	—	—
Merger and recapitalization, net of fees	—	—	100,350	—	—	—	27,997	—	27,997
Stockholder contribution for debt issuance costs	—	—	—	—	—	—	924	—	924
Escrow shares derivative liability	—	—	81,260	—	—	—	(6,867)	—	(6,867)
Private warrants derivative liability	—	—	—	—	—	—	(3,916)	—	(3,916)
Forward share purchase agreement derivative liability	—	—	193,050	—	—	—	(14,170)	—	(14,170)
Stockholder earnout rights derivative liability	—	—	—	—	—	—	(26,131)	—	(26,131)
Settlement of forward share purchase agreement derivative liability	—	—	—	—	—	—	(17,841)	—	(17,841)
Purchase of treasury stock	—	—	—	—	(154,055)	(31,663)	31,663	—	—
Shares canceled	—	—	(1,298)	—	—	—	—	—	—
Balance at December 31, 2022	—	$ —	2,163,766	—	(154,055)	$ (31,663)	$ 89,956	$ (64,700)	$ (6,407)

See Notes to Consolidated Financial Statements.

LEAFLY HOLDINGS, INC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31, 2023	2022
Cash flows from operating activities		
Net (loss) income	$ (9,498)	$ 5,070
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	986	449
Stock-based compensation expense	2,955	3,917
Bad debt expense, net of recoveries	2,767	1,378
Loss on disposition of assets	61	—
Noncash amortization of debt discount	546	506
Noncash interest expense associated with convertible debt	—	243
Noncash change in fair value of derivatives	(309)	(36,823)
Other	—	46
Changes in operating assets and liabilities:		
Accounts receivable	(2,104)	(1,718)
Prepaid expenses and other current assets	825	(580)
Accounts payable	(813)	424
Accrued expenses and other current liabilities	(3,826)	(983)
Deferred revenue	(194)	(17)
Net cash used in operating activities	(8,604)	(28,088)
Cash flows from investing activities		
Additions of property, equipment, and software	(1,345)	(2,470)
Proceeds from sale of property and equipment	29	—
Net cash used in investing activities	(1,316)	(2,470)
Cash flows from financing activities		
Proceeds from exercise of stock options	—	158
Proceeds from convertible promissory notes	—	29,374
Proceeds from business combination placed in escrow and restricted	—	39,032
Trust proceeds received from recapitalization at closing	—	582
Issuance of common stock under ESPP	168	—
Repurchase of common stock and settlement of forward purchase agreements	—	(31,303)
Transaction costs associated with recapitalization	—	(10,761)
Advances (repayments) of related party payables	94	(17)
Net cash provided by financing activities	262	27,065
Net decrease in cash, cash equivalents, and restricted cash	(9,658)	(3,493)
Cash, cash equivalents, and restricted cash, beginning of year	25,202	28,695
Cash, cash equivalents, and restricted cash, end of year	$ 15,544	$ 25,202

	Year Ended December 31, 2023	2022
Supplemental disclosure of non-cash financing activities:		
Stockholder contribution for debt issuance costs	$ —	$ 924
Repurchase of common stock in other accrued expenses	—	360
Conversion of promissory notes into common stock	324	33,024
Issuance of forward share purchase agreements	—	14,170
Issuance of private warrants	—	3,916
Issuance of sponsor shares subject to earn-out conditions	—	6,867
Issuance of stockholder earn-out rights	—	26,131

See Notes to Consolidated Financial Statements.

NOTE 1 — Description of the Business and Merger

Description of the Business

Leafly Holdings, Inc. ("Leafly" or "the Company") is an 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 12 and 15, 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 0.0164 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.

NOTE 2 — Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared in accordance with GAAP. All intercompany balances and transactions have been eliminated upon consolidation.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

Under the rules of Accounting Standards Codification ("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. The Company has $29,700 of 2022 Notes maturing on January 31, 2025 (Note 9) and based on the Company's current liquidity position would not be able to repay the 2022 Notes when due. In addition, Leafly has 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 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:

- The Company implemented previous restructuring plans, most recently in the fourth quarter of 2022 and during the first quarter of 2023, which reduced its labor force and substantially decreased costs in fiscal year 2023 as compared to fiscal year 2022. The Company still expects to recognize the full-year impact of its 2023 restructuring in 2024.
- During the fourth quarter of 2023, the Company began exploring opportunities to address the upcoming maturity of its 2022 Notes. In December, the Company worked with its noteholders and converted $300 of the outstanding principal to equity.
- In early 2024, the Company began an initiative to improve revenues by hiring 8 sales professionals and implementing improved selling strategies.

The restructuring plans above have been implemented and have significantly contributed to the cash savings of the Company. The Company's management is closely monitoring and reducing operating expenses where it is able to, while ensuring the trajectory and viability of the business remains intact. However, the Company cannot meet its debt maturity obligations without a significant capital infusion or a lender's commitment to refinance the debt. After considering all available evidence, Leafly's management determined that the combined impact of the cost reduction measures outlined in both actions above, Leafly's current positive working capital as of December 31, 2023 and planned operations will not be sufficient to meet its capital requirements for a period of at least 12 months from the date that these December 31, 2023 financial statements are issued and that substantial doubt exists about Leafly's ability to continue as a going concern.

The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Reverse Stock Split

On September 12, 2023, the Company implemented a one-for-twenty reverse split of its common stock (Note 11). To facilitate comparative analysis, all statements in this Annual Report regarding numbers of shares of common stock and all references to prices of a share of common stock, if referencing events or circumstances occurring prior to September 12, 2023, have been retroactively restated to reflect the effect of the reverse stock split on a pro forma basis.

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) 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 cannot be certain that these are known trends or that other trends may develop.

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 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 credit losses; 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.

Foreign Currency

The functional currency for the Company's foreign subsidiaries is the U.S. dollar. The assets and liabilities of our foreign subsidiaries are remeasured to U.S. dollars at current or historic exchange rates, as appropriate. Revenues and expenses are remeasured to U.S. dollars using historic or average monthly exchange rates, as appropriate. Remeasurement gains and losses are included in other income (expense) on the Consolidated Statements of Operations. The assets, liabilities, revenues, and expenses of our foreign subsidiaries are individually less than 10% of our respective consolidated amounts. The Canadian dollar is our primary foreign currency. Remeasurement gains and losses have not been significant, and therefore we do not present separately translation adjustments or other comprehensive income/(loss).

Foreign Operations

Operations outside the U.S. comprise primarily Leafly Canada's activities in Canada. Foreign operations are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restrictions on currency exchange. Net assets of our foreign subsidiaries were $1,623 and $1,262 as of December 31, 2023 and 2022, respectively.

Cash, Cash Equivalents, and Restricted Cash

The Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. The Company may hold cash balances that exceed the insured limits by the Federal Deposit Insurance Corporation ("FDIC"), National Credit Union Administration ("NCUA"), or the Canada Deposit Insurance Corporation ("CDIC") as discussed further below. Restricted cash as of December 31, 2023 and 2022 includes collateral held at the Company's financial institution and its credit card processing company. Restricted cash as of December 31, 2023 also includes cash maintained in escrow related to certain derivatives (see Note 3). The fair value of cash, cash equivalents, and restricted cash approximate their carrying value.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalents, restricted cash and accounts receivable. The Company's cash and cash equivalents and restricted cash are deposited with major financial institutions primarily in the U.S. and Canada. At times, deposits in financial institutions may be in excess of the amount of insurance provided on such deposits by the FDIC, NCUA or CDIC. At December 31, 2023 and 2022, cash and cash equivalents totaling $9,065 and $574, respectively, held in domestic and foreign institutions, were insured within the limitations set by the FDIC, NCUA or CDIC, as applicable. To date, the Company has not experienced any losses on its cash deposits.

Accounts receivable are unsecured and the Company generally does not require collateral from its customers. The Company evaluates the collectability of its accounts receivable and provides an allowance for potential credit losses as necessary.

Accounts Receivable, Net and Payment Terms

The Company records accounts receivable (Note 4) at the time of invoicing the customer. Payment terms and conditions vary by contract type and the service being provided. Fees are usually non-refundable. Subscription-based services are typically invoiced monthly in advance and impression-based services are typically invoiced monthly in arrears. Customer payment terms vary by arrangement although payments are typically due within 30 days of invoicing. The timing between the satisfaction of the performance obligations and the payment is not significant and the Company currently does not have any significant financing components or significant payment terms. The carrying value of accounts receivable approximates their fair value due to their short-term nature.

Allowance for Credit Losses

The Company records an allowance for credit losses (Note 4) for fees owed for completed transactions that may never settle or be collected in accordance with Accounting Standards Update No. 2016-13 *"Financial Instruments—Credit Losses"*. The allowance for credit losses reflects the Company's current estimate of expected credit losses inherent in the enterprise and trade receivables balance. The Company assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when the Company identifies specific customers with known disputes or collectability issues. The Company regularly reviews the adequacy of the allowance for expected credit losses by considering the age of each outstanding invoice, the collection history of each customer, and other relevant factors, including contractual term and current and future economic conditions.

Costs to Obtain Contracts with Customers

Certain sales incentive compensation costs are incremental costs to obtain the related customer contract. For contract costs with amortization periods of more than 12 months, these costs are capitalized in the period in which they are incurred and amortized on a straight-line basis over the expected customer life of the associated contract. There were no capitalized costs to obtain contracts with customers in 2023 or 2022. For contract costs with amortization periods of less than 12 months, the Company applies a practical expedient to expense such costs as incurred.

Property and Equipment

Property and equipment consists of furniture, equipment, and leasehold improvements and are stated at cost less accumulated depreciation and amortization (Note 6). Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to five years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the improvements.

Capitalized Software

The Company capitalizes certain costs related to acquisition and development of software for internal use, including internal labor costs incurred during development (Note 6). The Company begins to capitalize these costs when planning and design efforts are successfully completed and development is ready to commence, management has authorized and committed project funding; and it is probable that the project will be completed and the software will be used as intended. Costs incurred during planning and design, together with costs incurred for training and maintenance, are expensed as incurred and recorded in product development expense. The Company capitalizes certain implementation costs incurred related to cloud computing arrangements that are service contracts. Such costs are amortized on a straight-line basis over the term of the associated hosting arrangement plus any reasonably certain renewal period. Any capitalized amounts related to such arrangements are recorded within prepaid expense and other current assets and within non-current assets on the consolidated balance sheets. The Company places capitalized software assets into service and commences amortization when the asset is substantially complete and ready for its intended use. Once placed into service, the Company capitalizes qualifying costs of specified upgrades or enhancements to the assets when the upgrade or enhancement will result in new or additional functionality.

The Company's estimated useful life for capitalized software is three years, and amortization is calculated using the straight-line method.

Leases

The Company categorizes leases with contractual terms longer than 12 months as either operating or finance. Finance leases are generally those leases that substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

Lease liabilities are recognized at the present value of the fixed lease payments, reduced by landlord incentives using an estimated discount rate based on similarly secured borrowings available to us. Lease assets are recognized based on the initial present value of the fixed lease payments, reduced by landlord incentives, plus any direct costs from executing the leases or lease prepayments.

The Company does not recognize its renewal options as part of its right-of-use assets and lease liabilities until it is reasonably certain that it will exercise such renewal options.

The Company has elected to combine lease and non-lease components; however, the Company currently has no leases requiring analysis of lease components.

The Company did not have any operating lease right-of-use assets as of December 31, 2023 or 2022.

Accounting for Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. Any impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of their carrying cost or the fair value less the cost to sell.

Stock Repurchases

The Company accounts for repurchases of its common stock by recording the cost to repurchase those shares to treasury stock (Note 11), a separate component of stockholders' equity. Upon retirement, the carrying amount of treasury stock is reduced with a corresponding reduction to par value of common stock, with any excess of the cost incurred to repurchase shares over their par value recorded as an adjustment to accumulated deficit on the date of retirement.

Revenue from Contracts with Customers

The Company generates revenue (Note 8) by providing customers with online software and advertising services, primarily through subscription agreements. Leafly also provides advertising on a per-impression delivered basis.

The Company recognizes revenue in accordance with ASC 606, the core principle of which is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for those goods or services. To achieve this core principle, five basic criteria must be met before revenue can be recognized:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

Leafly provides to its clients a platform to engage with and advertise to interested consumers. This subscription-based platform is delivered by way of a hosted, web-based application or Software as a Service (SaaS) delivery model. Customers of Leafly never take possession of any software as it is hosted in the cloud.

All the Company's revenue and trade receivables are generated from contracts with customers. Revenue is recognized when control of the promised services is transferred to the Company's customers at an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. Customer arrangements are evidenced by written or electronic acceptance of a contract describing the services to be delivered, the timing, and the pricing.

Performance Obligations — A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC Topic 606. The transaction price is allocated to each distinct performance obligation and is recognized as revenue when, or as, the performance obligation is satisfied by transferring the promised good or service to the customer. The Company identifies and tracks the performance obligations at contract inception so that the Company can monitor and account for the performance obligations over the life of the contract. The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which the amount of revenue it recognizes is equal to the amount which the Company has a right to invoice.

The Company's Retail contracts typically contain a single performance obligation consisting of the hosted software in a multi-tenant environment where support and maintenance are included for customers. Retail contracts with multiple performance obligations contain additional services offerings, either in the form of subscription or one-time service.

Additional Retail service offerings change over time but currently include additional mapping, mobile, homepage, and video features, as well as sponsorships, premium placement, pick-up lead generation, insights, and customer communications, including emails and mobile push notifications. Brands customers can purchase any number and combination of services; none of the Brands services require the purchase of another Brands service.

For contracts with multiple performance obligations where the contracted price differs from the standalone selling price ("SSP") for any distinct good or service, the Company may be required to allocate the transaction price to each performance obligation using its best estimate for the SSP. The portion of our revenue for which SSP requires estimation has been immaterial.

A majority of the customer contracts have performance obligations that the Company satisfies over time, and revenue is recognized by consistently applying a method of measuring progress toward satisfaction of that performance obligation. Some contracts contain a performance obligation that the Company satisfies at a point in time upon delivery of the specified services. 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.

Practical Expedients and Exemptions—There are several practical expedients and exemptions allowed under ASC Topic 606 that impact the timing of revenue recognition and the Company's disclosures. Below is a list of practical expedients applied by the Company:

- The Company does not evaluate a contract for a significant financing component if payment is expected within one year or less from the transfer of the promised items to the customer.
- The Company generally expenses sales commissions when incurred when the amortization period would have been one year or less. These costs are recorded within sales and marketing expense in the consolidated statements of operations.

Contract Balances—The timing of revenue recognition may differ from the timing of invoicing to customers and these timing differences result in contract assets, or contract liabilities (deferred revenue) on the Company's consolidated balance sheets. The Company mainly provides subscription services and bills its customers upfront for any services to be performed. As such, the Company did not have any contracts assets as of, or during the years ended, December 31, 2023 or 2022.

Contract Liabilities (Deferred Revenue)—The Company records Deferred Revenue when the Company has received or has the right to receive consideration but has not yet transferred goods or services to the customer. The Company typically invoices its customers for online software on a monthly, quarterly, or annual basis, with payment due 30 days from the date of the invoice. Unpaid invoice amounts for non-cancelable services starting in future periods are included in accounts receivable and deferred revenue.

Cost of Revenue

Cost of revenue consists primarily of credit card processing fees, third-party professional services, data licensing costs, website infrastructure including hosting costs, and salaries and employee benefits for the engineering teams responsible for operating the Company's online software platform.

Product Development

Product development expenses primarily consist of professional services fees, allocations of various overhead and occupancy costs, and salaries and employee benefits for the engineering teams responsible for developing new products or services or significant improvements to existing products or services. Product development costs that do not meet the criteria for capitalization are expensed as incurred. Product development costs were $9,848 and $14,988 for the years ended December 31, 2023 and 2022, respectively.

Income Taxes

The Company accounts for income taxes using the asset and liability method (Note 17). Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates applicable to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded against the Company's deferred income tax assets if based on the weight of all available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company periodically reviews its operations and significant income tax positions for uncertainties and areas of judgment in the application of complex income tax regulations in several tax jurisdictions and provides a liability for potential income taxes, where applicable. The Company includes any interest and penalties related to unrecognized tax benefits within the provision for taxes.

As of December 31, 2023, the Company asserts to indefinitely reinvest undistributed earnings to ensure sufficient working capital and further expansion of existing operations outside the U.S. As of December 31, 2023 and 2022, the Company's foreign subsidiaries operated at a cumulative deficit for U.S. earnings and profit purposes. In the event the Company is required to repatriate funds from outside of the U.S., such repatriation would be subject to local laws, customs, and tax consequences. Determination of the amount of unrecognized deferred tax liability related to these earnings is not practicable.

Advertising

All advertising costs are expensed as incurred and included in sales and marketing expenses. Advertising expenses incurred by the Company were $93 and $3,059 during the years ended December 31, 2023 and 2022, respectively.

Stock-Based Compensation

Stock-based compensation expense (Note 13) represents the cost of the grant date fair value of New Leafly 2021 Employee Stock Purchase Plan (the "ESPP") purchase rights, stock option, restricted stock unit or performance stock unit grants, estimated in accordance with the applicable accounting guidance, recognized on a straight-line basis over the vesting period. The vesting period generally approximates the expected service period, or where applicable the performance period, of the awards. The service period for ESPP rights is equal to the offering period, which is six months. When equity awards include a performance condition that impacts the vesting or exercisability of the award, the Company records compensation cost when it becomes probable that the performance condition will be met and the service is provided. Compensation cost for awards with a performance condition are recognized over the shorter of the derived service period or the explicit/implicit service period. Compensation expense for awards subject to market-based conditions are recognized on a straight-line basis over the derived service period, regardless of whether the market condition is satisfied. Forfeitures are recognized and accounted for as they occur.

The fair value of ESPP purchase rights and stock options with service or performance conditions is estimated on the date of grant using the Black-Scholes option pricing model, inclusive of assumptions for risk-free interest rates, expected dividends, expected terms, expected volatility, and the fair value of the underlying stock. The fair value of restricted stock awards with service or performance conditions is estimated on the date of grant based on the market value of the Company's common stock. The fair value of stock options and restricted stock units with market-based conditions is estimated on the date of grant using a Monte Carlo simulation model, inclusive of assumptions for risk-free interest rates, expected terms, expected volatility, and the market target. Significant changes to the key assumptions underlying the factors used could result in different fair values of stock options at each valuation date, which could result in different stock-based compensation expense.

The risk-free interest rates used are based on the U.S. Department of Treasury ("U.S. Treasury") yield in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the expected term of the stock options. We base the assumed dividend yield on our expectation of not paying dividends in the foreseeable future. Options granted have a maximum contractual term of 10 years. The Company has limited historical stock option activity and therefore estimates the expected term of stock options granted using the simplified method, which represents the average of the contractual term of the stock option and its weighted-average vesting period. The expected volatility of ESPP purchase rights and stock options are based upon the historical volatility of a number of publicly traded companies determined to be comparable to the Company. The Company has historically not declared or paid any dividends and does not currently expect to do so in the foreseeable future.

Defined Contribution Plan

The Company's 401(k) saving plan is a tax-qualified deferred compensation arrangement under Section 401(k) of the The Internal Revenue Code of 1986, as amended (the "Code"). Under the 401(k) Plan (Note 13), participating U.S. employees may contribute a portion of their eligible earnings, subject to applicable U.S. Internal Revenue Service and plan limits. The Company matches up to 3.5% of the employee's eligible compensation, vested immediately.

Common Stock Valuation

Due to the absence of an active market for the Company's common stock at the time of the Merger, the Company utilized methodologies in accordance with the framework of Standards 9 and 10 of the *Uniform Standards of Professional Appraisal Practice, the Statement on Standards for Valuation Services* as set forth by the American Institute of Certified Public Accountants ("AICPA"), ASC Topic 820 *Fair Value Measurements and Disclosures*, and the AICPA *Accounting and Valuation Guide for the Valuation of Privately-Held-Company Equity Securities Issued as Compensation*, to estimate the fair value of its common stock. The fair value of the common stock was determined based upon a variety of factors, including the illiquid nature of the common stock, sales of the Company's preferred stock, the effect of the rights and preferences of the preferred stockholders, and the prospects of a liquidity event at the time of valuation. Among other factors are the Company's unaudited and audited historical financial position and performance and the then-current business climate in the marketplace. Significant changes to the key assumptions underlying the factors used could result in different fair values of common stock at each valuation date.

Transaction Costs and Deferred Transaction Costs

The Company incurred significant costs direct and incremental to the Business Combination and therefore to the recapitalization of the Company. We deferred such costs incurred in 2021 and in early 2022. In 2022, upon closing of the Business Combination, total direct transaction costs were allocated between equity and liability instruments measured at fair value on a recurring basis that were newly issued in the recapitalization. Amounts allocated to equity were recorded to additional paid-in capital, while amounts allocated to the specified liabilities were recorded as other expense.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

Effective January 1, 2023, the Company adopted Accounting Standards Update ("ASU") No. 2016-13 *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* This standard replaces the existing incurred loss impairment model with an expected loss model which requires the use of forward-looking information to calculate credit loss estimates. The adoption had no impact on the accumulated deficit on the consolidated balance sheet as of January 1, 2023.

Accounting Pronouncements Issued But Not Yet Adopted

In 2023, the FASB issued ASU 2023-07—*Segment Reporting (Topic 280) Improvements to Reportable Segment Disclosures*. This ASU expands segment disclosures for public companies. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024.

(in thousands, except share and per share amounts)

In 2023, the FASB issued ASU 2023-09—*Income Taxes (Topic 740)*. This ASU expands income tax disclosures to provide information to better assess how an entity's operations and related tax risks and tax planning and operational opportunities affect its tax rate and prospects for future cash flows. This ASU is effective for fiscal years beginning after December 15, 2024.

Any other recently issued accounting standards or pronouncements not disclosed above have been excluded as they are not relevant to the Company, or they are not expected to have a material impact on the consolidated financial statements.

NOTE 3 — Cash, Cash Equivalents, and Restricted Cash

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

	Year Ended December 31,	
	2023	2022
Cash and cash equivalents	$ 15,293	$ 24,594
Restricted cash	—	360
Restricted cash - long-term portion	251	248
	$ 15,544	$ 25,202

The restricted cash balance at December 31, 2022 included $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 154,055 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 were able to claim the remainder any time until August 1, 2023. On July 11, 2023, Leafly returned $360 of restricted cash to the FPA Holders pursuant to the terms of the FPAs. Additional information regarding the FPAs is included in Notes 12 and 15.

NOTE 4 — Accounts Receivable, Net

Accounts receivable, net of $2,635 and $3,298 as of December 31, 2023 and 2022, respectively, consisted of amounts due from customers less an allowance for credit loss. For further information about revenue and deferred revenues, see Note 8.

The following table presents the allowance for credit loss and the changes therein:

	Year Ended December 31,	
	2023	2022
Balance, beginning of period	$ 908	$ 1,848
Add: provision for credit loss, net of recoveries	2,767	1,378
Less: write-offs	(2,277)	(2,318)
Balance, end of period	$ 1,398	$ 908

(in thousands, except share and per share amounts)

NOTE 5 — Prepaid Expenses and Other Assets

Prepaid expenses and other assets consisted of the following:

Prepaid subscriptions	$	568	$	916
Prepaid insurance		350		533
Other prepaid assets		82		272
Other current assets		74		71
Subtotal, current portion		1,074		1,792
Prepaid expenses, long-term portion		28		135
Total	$	1,102	$	1,927

NOTE 6 — Property, Equipment, and Software, Net

Property, equipment, and software consisted of the following:

	As of December 31,			
	2023		2022	
Furniture and equipment	$	447	$	740
Capitalized internal-use software		3,655		2,310
		4,102		3,050
Less: accumulated depreciation and amortization		(1,548)		(765)
	$	2,554	$	2,285

The Company recognized depreciation and amortization expense as follows:

	Year Ended December 31,			
	2023		2022	
Depreciation expense	$	84	$	164
Amortization of capitalized internal-use software		902		285
Total depreciation and amortization	$	986	$	449

During the year ended December 31, 2023, the Company disposed of equipment with a book value of $90 for $29, resulting in a loss on disposal of $61.

(in thousands, except share and per share amounts)

NOTE 7 — Accrued Expenses and Other Current Liabilities

Accrued expenses consisted of the following:

	As of December 31,	
	2023	2022
Accrued bonuses	$ —	$ 1,309
Other employee-related liabilities	969	2,403
Accrued interest	999	1,000
Other accrued expenses [1]	535	1,523
	$ 2,503	$ 6,235

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

The Company offers a discretionary annual incentive program for its executive officers whereby they are eligible to receive target bonus payouts, of up to 50% for the CEO ($73 for 2022) and 40% for other executive officers, of their base salary, with the actual bonus awarded based on a number of factors, including each executive's individual performance, Leafly's performance, current market and business climate, and Leafly's financial circumstances, as determined by the Leafly board of directors. No bonuses were awarded for the year ended December 31, 2023 due to the Company's failure to meet its performance goals. Accrued bonuses at December 31, 2022 included cash incentives for executive officers and other employees of the Company. Historically, bonuses have been provided to executives on a discretionary basis. Bonus compensation is designed to hold executives accountable and reward them for individual and business performance.

NOTE 8 — Deferred Revenue and Revenue by Type

Deferred Revenue

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:

	Year Ended December 31,	
	2023	2022
Balance, beginning of year	$ 1,958	$ 1,975
Add: net increase in current period contract liabilities	1,595	1,942
Less: revenue recognized from beginning balance	(1,789)	(1,959)
Balance, end of year	$ 1,764	$ 1,958

A majority of the deferred revenue balance as of December 31, 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 December 31, 2023 and 2022.

(in thousands, except share and per share amounts)

Revenue by Type and Geography

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

	Year Ended December 31, 2023	Year Ended December 31, 2022
Advertising [1]	$ 41,764	$ 46,945
Other services [1]	488	418
	$ 42,252	$ 47,363

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:

	Year Ended December 31, 2023	Year Ended December 31, 2022
United States [1]	$ 40,509	$ 44,424
All other countries [1]	1,743	2,939
	$ 42,252	$ 47,363

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:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Arizona	20%	18%
California	12%	12%
Oregon	10%	10%

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

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

	Year Ended December 31, 2023	Year Ended December 31, 2022
Over Time [1]		
Retail [2]	$ 35,923	$ 36,742
Brands [3]	4,537	6,722
	40,460	43,464
Point in time [1]		
Brands [4]	1,792	3,899
	$ 42,252	$ 47,363

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).

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.

NOTE 9 — 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 (with an effective interest rate of 9.82%), 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 $250.00 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 $360.00 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.

2023 Partial Conversion

On December 19, 2023, the Company and each of the 2022 Note holders executed a notice of conversion and consent (the "Conversion Notice") to effect a temporary and limited adjustment to the conversion price under the Note. Pursuant to the Notice, the conversion price under the Note was equal to the dollar amount that was 5% less than the last reported sale price of the Company's Common Stock on the trading day prior to the date of the Conversion Notice, or $4.978 (the "Conversion Price Adjustment"). The Conversion Price Adjustment was available for a period of five business days from the date of the Notice or until conversion requests for up to $300 were received, whichever was earlier. On December 19, 2023, one Holder tendered a conversion request for $300 at the Conversion Price Adjustment, resulting in the issuance of an aggregate of 60,265 shares of Common Stock and a corresponding reduction in the outstanding amount of the 2022 Notes of $300. The Company accounted for the transaction as a debt modification and recognized the change in the fair value of the conversion feature as additional debt discount and an increase to additional paid-in capital of $24. Following such tender and in accordance with the terms of the Conversion Notice, the Conversion Price Adjustment was terminated. The Company shall pay applicable accrued interest payable and owing on the converted amount through the effective date of the conversion in accordance with the terms of the 2022 Notes in cash on the next interest payment date. Except as set forth above, the terms of the 2022 Notes remain the same.

Carrying Amount and Fair Value

As of December 31, 2023, the net carrying amount of the 2022 Notes was $29,085, which reflects the partial conversion noted above and includes unamortized issuance costs and debt discount of $615, which will be amortized over the remaining term. The estimated fair value of the convertible debt instruments was approximately $27,793 as of December 31, 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 (Note 15).

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 206,400 shares of Leafly common stock at the conversion price of approximately $52.60, 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 0.0164, which was used for conversion of all Leafly securities.

NOTE 10 — 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 December 31, 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 Nasdaq's Listing Qualifications Staff ("Staff") indicating that it no longer complied with the $50 million in market value of listed securities standard for continued listing on the Nasdaq Global Market under Nasdaq Listing Rule 5450(b)(2)(A) and that it also 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 Nasdaq Capital Market (the "Capital Market"), effective April 21, 2023, on the basis that the Company complied with the Net Income standard for the Capital Market under Nasdaq Listing Rule 5550(b)(3) for the year ended December 31, 2022. The transfer of the listing resolved the October 28, 2022 noncompliance notification.

(in thousands, except share and per share amounts)

On November 2, 2022, the Company received a letter from the Staff indicating that it did not meet the requirement to maintain a minimum bid price of $1.00 per share, which is imposed by Nasdaq Listing Rule 5450(a)(1) for continued listing on the Nasdaq Global Market and by Nasdaq Listing Rule 5550(a)(2) for continued listing on the Nasdaq Capital Market (the "Bid Price Requirement") and that the Company had until May 1, 2023 to regain compliance. On May 2, 2023, as a result of not regaining compliance with the Bid Price Requirement, the Company received a letter from Nasdaq notifying us that the Company's common stock would be subject to delisting from Nasdaq unless it timely requested a hearing before a Nasdaq Hearings Panel (the "Panel") and submitted a plan of compliance. The Company submitted a Plan, which was approved by the Panel, giving Leafly until October 30, 2023 to regain compliance with the Bid Price Requirement. On September 12, 2023, the Company implemented a one-for-twenty reverse split of the Company's common stock (Note 11), and on September 29, 2023, the Company received formal notice from Nasdaq confirming that the Company regained compliance with the Bid Price Requirement, would continue to be listed and traded on the Capital Market and the listing matter was closed.

Nasdaq Listing Rule 5550 requires a Company listed on the Capital Market to continuously meet at least one of the following requirements set forth in Nasdaq Listing Rule 5550(b) (the "Continued Listing Standards"):

Continued Listing Standard	Requirement	Leafly's Position as of December 31, 2023
"Stockholders' Equity"	Minimum $2.5 million	Negative $12.5 million
"Market Value of Listed Securities"	Minimum $35 million	$10.8 million
"Net Income"	Minimum $500 thousand from continuing operations – most recent fiscal year or in two of three of last three fiscal years	Loss of $9.5 million

Although we have not yet received a notification from Nasdaq's Listing Qualifications Staff ("Staff") confirming noncompliance, as shown above, the Company did not comply with the Continued Listing Standards at December 31, 2023. Should we receive the Staff's notification of noncompliance, the Company will have the right to submit to Nasdaq a plan to regain compliance with Nasdaq's Stockholders' Equity and/or Market Value of Listed Securities standards. As provided in Nasdaq Listing Rule 5810(c)(2)(D), the Staff will not accept a compliance plan for deficiencies in net income from continuing operations since compliance requires stated levels of net income during completed fiscal years and therefore can only be demonstrated through audited financial statements. If the Company submits a compliance plan, and if it is accepted by Nasdaq, the Staff may grant the Company an extension of up to 180 calendar days from the date of the Staff's notification for the Company to evidence compliance.

To comply with the Stockholders' Equity standard, the value of Leafly's stockholders' equity must exceed $2.5 million on or before the end of any extension period the Company may receive from the Staff. To comply with the Market Value of Listed Securities standard, the total market value of Leafly's listed securities, calculated as Leafly's total shares outstanding multiplied by the daily closing bid price, must be $35.0 million or more for a minimum of ten consecutive business days at any time before the end of any extension the Company may receive from the Staff. If the Company does not comply with the Continued Listing Standards prior to the expiration of any extension that may be granted by the Staff, or if the Staff declines to grant an extension after reviewing the Company's compliance plan submission, or if the Company does not submit a compliance plan after receiving the Staff's notification, the Nasdaq Listing Rules require the Staff to provide written notification to us that Leafly's securities will be delisted, subject to the right to appeal any such delisting determination to a Hearings Panel.

NOTE 11 — Stockholders' Deficit

Common Stock

Reverse Stock Split

On July 12, 2023, during the Company's 2023 Annual Meeting of Stockholders, Leafly's stockholders approved a proposal for a reverse stock split (the "Reverse Stock Split") as part of the Company's plan to regain compliance with the Bid Price Requirement under Nasdaq listing rules (Note 10). Effective September 12, 2023, the Company effected a one-for-twenty (1-for-20) Reverse Stock Split of its common stock. As a result of the Reverse Stock Split:

- Every twenty (20) shares of common stock issued and outstanding were combined and converted into one (1) issued and outstanding share of common stock.
  - The Reverse Stock Split did not change the authorized number of shares or the par value of the common stock, nor modify any voting rights of the common stock, which continues to trade on the Nasdaq Capital Market under its existing symbol "LFLY" on a split-adjusted basis.
  - All shares of common stock that were held by a stockholder were aggregated and converted at the 1-for-20 reverse split ratio subsequent to the Reverse Stock Split, and each fractional share held by a stockholder resulting from such aggregation and conversion was rounded up to the next whole share.
  - Leafly issued 34,192 shares in connection with the above criteria. No fractional shares were issued in connection with the Reverse Stock Split.
- The Company's public warrants continue to trade on the Nasdaq Capital Market under the existing symbol "LFLYW."
  - All outstanding warrants have been adjusted in accordance with their terms, resulting in the number of shares issuable upon exercise of a warrant holder's aggregate number of warrants, after adjustment, being rounded up to the nearest whole share and proportionate adjustments were made to the exercise price;
- All outstanding convertible notes have been adjusted such that the conversion rate and the conversion price have been made proportionate with the 1-for-20 reverse split ratio in accordance with their terms.
- Based on the 1-for-20 reverse split ratio, the number of shares of common stock issuable under the Company's outstanding equity awards decreased proportionately, with any fractional shares rounded down to the nearest whole share, with a corresponding adjustment made to the exercise prices of outstanding option awards, rounded up to the nearest whole cent.
  - In addition, the number of shares of common stock available for issuance under the Company's equity incentive plans were proportionately adjusted based on the 1-for-20 reverse split ratio, such that fewer shares are available for issuance under our equity incentive plans.

To facilitate comparative analysis, all statements in this Annual Report regarding numbers of shares of common stock and all references to prices of a share of common stock, if referencing events or circumstances occurring prior to September 12, 2023, have been retroactively restated to reflect the effect of the Reverse Stock Split on a pro forma basis.

Business Combination

The Consolidated Statements of Changes in Stockholders' Deficit reflect the reverse recapitalization on February 4, 2022, as discussed in Note 1. Since the 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).

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 12), 1,298 shares held by the Sponsor were canceled, according to an agreement between the Company and Merida Holdings, LLC entered into upon execution of the FPAs.

Authorized Shares

As of December 31, 2023 Leafly's authorized capital stock consisted of:

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

Voting Rights

The holders of Leafly common stock exclusively possess all stockholder voting power with respect to Leafly, except as otherwise required by law or the Company's charter. Holders of Leafly common stock are entitled to one vote per share on each matter properly submitted to a vote of stockholders. The holders of Leafly common stock will at all times vote together as one class on all matters submitted to a vote of stockholders, unless otherwise required by Delaware law or the charter. If Leafly has multiple classes of common stock in the future, then Delaware law could require holders of shares of a class of capital stock to vote separately as a single class in the following circumstances:

- if we were to seek to amend the charter to increase or decrease the par value of a class of the capital stock, then that class would be required to vote separately to approve the proposed amendment; and
- if we were to seek to amend the charter in a manner that alters or changes the powers, preferences, or special rights of a class of capital stock in a manner that affected its holders adversely, then that class would be required to vote separately to approve the proposed amendment.

Election of Directors

The charter provides for a classified board of directors that is divided into three classes with staggered three-year terms. Only the directors in one class are subject to election by a plurality of the votes cast at each annual meeting of stockholders, with the directors in the other classes continuing for the remainder of their respective three-year terms. The charter does not provide for cumulative voting for the election of directors.

Dividend Rights

Subject to the rights, if any, of the holders of any outstanding series of the Leafly preferred stock, the holders of Leafly common stock are entitled to receive dividends and other distributions (payable in cash, property or capital stock of Leafly) when, as and if declared by the Leafly board of directors out of any assets or funds legally available and will share equally on a per share basis in such dividends and distributions.

No Preemptive or Similar Rights

Leafly common stock is not entitled to preemptive rights, and is not subject to conversion, redemption or sinking fund provisions.

Liquidation, Dissolution and Winding Up

In the event of any voluntary or involuntary liquidation, dissolution or winding-up, after payment or provision for payment of the debts and other liabilities of Leafly, the holders of Leafly common stock will be entitled to receive all the remaining assets of Leafly available for distribution to its stockholders, ratably in proportion to the number of shares of the Leafly common stock held by them, subject to the rights, if any, of the holders of any outstanding shares of Leafly preferred stock.

Sponsor Shares Subject to Earn-Out Conditions

In accordance with the Merger Agreement, upon closing of the Business Combination, 81,260 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 $270.00 for 20 out of 30 consecutive trading days at any time during the two-year period following closing of the Business Combination, and the remaining 50% will be released from escrow if and when the Company's common stock trades at or above $310.00 for 20 out of 30 consecutive trading days at any time during the three-year period following closing of the Business Combination. In addition, all 81,260 Escrow Shares will be released upon a change in control.

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 15 for additional information.

Treasury Stock

Effective August 1, 2022, the Company repurchased 154,055 shares of its common stock at a weighted-average price of $205.60 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 sheet at December 31, 2022. These repurchases were in settlement of the FPAs. See Notes 3 and 12 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 271,454 shares of common stock (the "Rights") if the Company achieves certain earn-out conditions prior to the third anniversary of the Business Combination. We account for the Rights as derivative liabilities, which we 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 15 for additional information.

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

First Tranche

Up to 135,727 shares will be issued if and when:

- revenue for the year ended December 31, 2022 equaled or exceeded $65,000 ("first revenue target", which was not met) 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 $270.00 ("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 first target period at the first target price or higher, or

- a pro rata portion of 135,727 shares (50%) if the revenue during the first target period meets or exceeds 90% of the first revenue target (this target was also not met).

Second Tranche

Up to 135,727 shares will be issued if and when:

- revenue for the year ending December 31, 2023 equals or exceeds $101,000 (“second revenue target”, which was not met), 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 $310.00 (“second target price”) during the three-year period beginning on the trading day after the closing date of the Business Combination (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 second target period at the second target price or higher, or
- a pro rata portion of 135,727 (50%) if the revenue during the second target period meets or exceeds 90% of the second revenue target (this target was also not met).

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 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 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 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 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 December 31, 2023.

NOTE 12 — Warrants and Forward Share Purchase Agreements

Warrants

Public Warrants

At December 31, 2023 and 2022, there were 7,105,772 and 7,027,821 warrants outstanding to purchase an aggregate of 355,288 and 351,391, respectively, shares of common stock 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 0.05 shares of common stock at an exercise price of $230.00 per whole share. 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 closing of the Business Combination. The Public Warrants may not 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 Public Warrants and a current prospectus relating to such shares of common stock.

Notwithstanding the foregoing, during any period when the Company shall have failed to maintain an effective registration statement, warrant holders may exercise their Public 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 Public Warrants on a cashless basis. The Public Warrants will expire five years after the Closing of the Business Combination or earlier upon redemption or liquidation.

The Company may redeem the Public Warrants:

- in whole and not in part;
- at a price of $0.20 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 $360.00 per share for any 20 trading days within a 30-trading day period commencing after the warrants became 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 underlying 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.

Private Warrants

At December 31, 2023 and 2022, there were 3,345,215 and 3,423,166 warrants outstanding to purchase an aggregate of 167,260 and 171,158, respectively, shares of common stock 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 closing of the Business Combination, subject to certain limited exceptions. Additionally, the Private Warrants are exercisable for cash or on a cashless basis, at the holder's option, and are 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 are 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. During the years ended December 31, 2023 and 2022, Private Warrant holders converted 77,951 and 527,145, respectively, Private Warrants to Public Warrants.

The Company accounts 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 15 for additional information.

Forward Share Purchase Agreements

In December 2021 and January 2022, the Company entered into four separate FPAs with the FPA Holders. The FPAs allowed the FPA Holders to sell and transfer common stock held by such holders, not to exceed a total of 200,000 shares in aggregate, to the Company in exchange for cash. The price to be paid by the Company was initially $203.20 per share for up to 130,000 shares and $200.20 per share for up to 70,000 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 FPA 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 FPA Holders entered into amendments to the FPAs (the "Amended FPAs"). The Amended FPAs modified the price at which the applicable FPA Holder has the right, but not the obligation, to have Leafly repurchase certain shares held by the applicable FPA Holder as of the closing of the Business Combination and not later sold into the market at a price of $203.20 per share (with respect to 34,308 of the shares subject to the Amended FPAs) and $206.20 per share (with respect to 120,199 of the shares subject to the Amended FPAs). The Amended FPAs also modified the date by which such FPA Holders could 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 2022, a total of $8,089 was released from the escrow accounts due to certain 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 154,055 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 were able to claim the remainder any time until August 1, 2023. On July 11, 2023, Leafly returned $360 of restricted cash to the FPA Holders pursuant to the terms of the FPAs (Note 3). Also, in connection with the settlement, 1,298 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.

NOTE 13 — 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 Leafy Earn-Out Plan (the "Earn-Out Plan"), and the ESPP. 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 year ended December 31, 2023.

Stock-Based Compensation

2021 Plan

The 2021 Plan became effective immediately upon closing of the Business Combination. Pursuant to the 2021 Plan, 225,125 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) 225,125 shares (adjusted pursuant to the terms of the 2021 Plan). Effective January 1, 2024, 225,144 shares of common stock were available for issuance under the 2021 Plan and 20 remained available at December 31, 2023.

2022 Awards

In August 2022 and October 2022, the Company, granted stock options to purchase an aggregate of 5,085 shares of common stock at a weighted-average exercise price of $39.52 per share and granted an aggregate of 127,999 restricted stock units ("RSUs") and performance stock units ("PSUs"). Of the PSUs granted, 34,155 were market-based awards made to executives with a grant date fair value of $0.80 per share with vesting based on achievement of a $1.0 billion market cap by February 4, 2026, and 6,831 were performance awards made to executives with a grant date fair value of $16.20 per share with vesting based in part on achievement of a fiscal year 2022 adjusted EBITDA target, as defined in the award agreements, which was achieved. Prior to such grants, no grants had been made under the 2021 Plan. On March 13, 2023, the Company approved the vesting of 6,831 PSUs awarded in 2022, which vested based on the achievement of the Company's 2022 adjusted EBITDA target on March 13, 2023.

(in thousands, except share and per share amounts)

2023 Awards

The Company granted 31,567 annual incentive plan RSUs on March 14, 2023, which vested over four months. On July 25, 2023, the Company granted: 125,559 service-based RSUs to employees, which are scheduled to vest over a two-year period from the initial vest date; 32,724 RSUs to non-employee Board members, which vested in full on August 20, 2023; and 23,634 PSUs to senior management, with vesting contingent upon the Company meeting certain fiscal year 2023 financial performance metrics, as specified in the award agreements. On November 30, 2023, the Company granted 23,634 RSUs to senior management and on December 19, 2023, the Company granted 19,440 RSUs to employees, all of which are scheduled to vest over a one-year period from the initial vest date. Also on December 19, 2023, the Company granted 7,900 RSUs to employees which are scheduled to vest over a two-year period from the initial vest date and 1,800 RSUs to non-employee Board members, which are scheduled to vest on July 12, 2024. See Note 19 for awards and vestings subsequent to December 31, 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 year ended December 31, 2023. The following weighted-average assumptions were used as inputs to the pricing model for options granted during the year ended December 31, 2022:

Risk-free interest rate	4.1%
Expected term in years	4.07
Expected volatility	74.6%
Expected dividend yield	0.0%

Stock option activity under the 2021 Plan for the periods presented was as follows:

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term (in years)
Outstanding at January 1, 2022	—	$ —	$ —	—
Granted	5,085	39.52		
Exercised	—	—		
Forfeited or expired	(37)	39.60		
Outstanding at December 31, 2022	5,048	39.52	$ —	9.61
Exercised	—	—		
Forfeited or expired	(72)	34.11		
Outstanding at December 31, 2023	4,976	$ 39.60	$ —	8.64
Vested and exercisable	2,282	$ 39.60	$ —	8.64

As of December 31, 2023, there was $61 of total unrecognized compensation cost related to stock options granted under the 2021 Plan. That cost is expected to be recognized over a remaining weighted-average period of 2.11 years. The weighted-average grant date fair value of options granted under the 2021 Plan for the year ended December 31, 2022 was $39.52 per share.

(in thousands, except share and per share amounts)

Restricted Stock Units and Performance Stock Units

RSU and PSU activity under the 2021 Plan for the periods presented was as follows:

	Number of Shares	Weighted Average Grant Date Fair Value	Total Fair Value
Unvested at January 1, 2022	—	$ —	
Granted	127,999	23.40	$ 2,988
Vested	(15,879)	34.80	$ 554
Forfeited	(9,231)	31.80	
Unvested at January 1, 2023	102,889	21.02	
Granted	266,258	6.59	$ 1,753
Vested	(113,824)	10.56	$ 872
Forfeited	(45,377)	19.37	
Unvested at December 31, 2023	209,946	$ 8.74	

As of December 31, 2023, there was $1,415 of total unrecognized compensation cost related to unvested RSUs and $8 of total unrecognized compensation cost related to PSUs granted under the 2021 Plan, a majority of which relates to performance-based awards. The total cost is expected to be recognized over a remaining weighted-average period of 1.67 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 was 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. Stock option activity under the 2018 Plan for the periods presented was as follows:

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term (in years)
Outstanding at January 1, 2022	192,541	$ 35.40		
Exercised	(7,409)	21.80		
Forfeited or expired	(13,557)	79.00		
Outstanding at December 31, 2022	171,575	$ 32.06	$ 75	6.83
Exercised	(21)	8.00		
Forfeited or expired	(55,103)	27.41		
Outstanding at December 31, 2023 [1]	116,451	$ 34.24	$ 3	4.65
Vested and exercisable	67,045	$ 27.44	$ 3	5.81

(in thousands, except share and per share amounts)

1. Includes 63,648, 0, and 52,803 awards accounted for as service-based, performance-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 $1,000,000 market capitalization target for any 20 days during a 30-day period on or before the fourth anniversary of the closing of the Business Combination.

As of December 31, 2023, there was: (i) $290 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 1.41 years; and (ii) $317 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 0.35 years.

Stock-Based Compensation Expense

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

	Year Ended December 31,	
	2023	2022
Sales and marketing	$ 272	$ 223
Product development	436	234
General and administrative	2,247	3,460
	$ 2,955	$ 3,917

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 47,880 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.

Employee Stock Purchase Plan

The ESPP became effective immediately upon closing of the Business Combination. Pursuant to the ESPP, 56,281 shares of common stock were initially reserved for issuance. During the term of the ESPP, 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) 2.5% of the fully diluted shares of common stock as of the last day of the preceding fiscal year and (ii) 56,281 shares (as adjusted pursuant to the terms of the ESPP). Effective January 1, 2024, 59,304 shares of common stock were available for issuance under the ESPP and 35,056 remained available at December 31, 2023. On March 15, 2023, eligible employees purchased 14,441 shares for a total purchase price of $120. On September 15, 2023, eligible employees purchased 5,701 shares for a total purchase price of $48. The Company's current offering period runs from September 16, 2023 through March 15, 2024. Stock-based compensation expense includes $92 related to the ESPP for the year ended December 31, 2023 and $62 for the year ended December 31, 2022.

Earn-Out Plan

The Earn-Out Plan became effective immediately upon closing of the Business Combination. Pursuant to the Earn-Out Plan, 28,546 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 Business Combination. No RSUs have been awarded under the Earn-Out Plan as of December 31, 2023.

(in thousands, except share and per share amounts)

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:

	Year Ended December 31,	
	2023	2022
401(k) matching contributions	$ 627	$ 875

NOTE 14 — 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 9) 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, which is included in accrued expenses and other current liabilities on Leafly's consolidated balance sheet and was repaid during the first quarter of 2023.

Effective September 1, 2023, the Company entered into a consulting agreement with Peter Lee, a member of the Company's Board of Directors, at a rate of $30 per month for an initial term of two months, extendable for a second term of two months, for a total maximum term of four months. Under the agreement, Mr. Lee is providing the Company with certain consultancy services related to the Company's business strategies. During the year ended December 31, 2023, Mr. Lee earned $120 under the agreement and, at December 31, 2023, the Company owed $90 to Mr. Lee, which is included in accrued expenses and other current liabilities on Leafly's consolidated balance sheet.

NOTE 15 — 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.

(in thousands, except share and per share amounts)

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

		Fair Value at			Change in Fair Value of Derivatives	
Description	**Level**	**December 31, 2023**	**December 31, 2022**	**February 4, 2022**	**Year Ended December 31, 2023**	**Year Ended December 31, 2022**
Private Warrants derivative liability	3	$ 105	$ 182	$ 3,916	$ 77	$ 3,734
Forward share purchase agreements derivative liability [1]	3	—	—	14,170	—	346
Escrow Shares derivative liability	3	4	52	6,868	48	6,816
Stockholder earn-out rights derivative liability	3	20	204	26,131	184	25,927
Total		$ 129	$ 438	$ 51,085	$ 309	$ 36,823

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:

	December 31, 2023	December 31, 2022	February 4, 2022
Exercise price	$ 230.00	$ 230.00	$ 230.00
Stock price	$ 4.81	$ 13.00	$ 130.60
Volatility	114.5%	75.0%	34.3%
Term (in years)	3.10	4.09	5.00
Risk-free rate	3.9%	4.1%	1.8%
Dividend yield	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.

Forward Share Purchase Agreements Derivative Liability

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

	February 4, 2022
Exercise price - one agreement	$ 203.20
Exercise price - three agreements	$ 200.20
Stock price	$ 130.60
Volatility	63.9%
Term (in years)	0.24
Risk-free rate	0.2%
Dividend yield	0.0%

(in thousands, except share and per share amounts)

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 12). 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:

	December 31, 2023	December 31, 2022	February 4, 2022
First stock price trigger	$ 270.00	$ 270.00	$ 270.00
Second stock price trigger	$ 310.00	$ 310.00	$ 310.00
Stock price	$ 4.81	$ 13.00	$ 130.60
Volatility	113.2%	86.0%	64.0%
Term (in years)	1.10	2.09	3.00
Risk-free rate	4.7%	4.4%	1.6%
Dividend yield	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.

Stockholder Earn-Out Rights Derivative Liability

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

	December 31, 2023	December 31, 2022	February 4, 2022
First stock price trigger	$ 270.00	$ 270.00	$ 270.00
Second stock price trigger	$ 310.00	$ 310.00	$ 310.00
First revenue trigger	$ 65,000	$ 65,000	$ 65,000
Second revenue trigger	$ 101,000	$ 101,000	$ 101,000
Stock price	$ 4.81	$ 13.00	$ 130.60
Base year revenue assumption	$ 42,270	$ 48,000	$ 55,500
Volatility	113.2%	86.0%	64.0%
Term (in years)	1.10	2.09	3.00
Risk-free rate	4.7%	4.4%	1.6%
Dividend yield	0.0%	0.0%	0.0%

The revenue assumption input relates to projected revenue for fiscal year 2022 as of February 4, 2022 and for fiscal year 2023 as of December 31, 2023, and represents the midpoint of revenue guidance the Company provided in the respective periods. 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.

(in thousands, except share and per share amounts)

NOTE 16 — Segment Reporting

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

	Year Ended December 31,	
	2023	2022
Revenue:		
Retail	$ 35,923	$ 36,742
Brands	6,329	10,621
Total revenue	$ 42,252	$ 47,363
Gross profit:		
Retail	$ 31,835	$ 32,310
Brands	5,616	9,193
Total gross profit	$ 37,451	$ 41,503

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 8 for revenue classified by major geographic area.

(in thousands, except share and per share amounts)

NOTE 17 — Income Taxes

Domestic and international (loss) income before income taxes consisted of the following:

	Year Ended December 31, 2023	Year Ended December 31, 2022
United States	$ (9,878)	$ 6,567
Foreign	380	(1,497)
Income (loss) before income taxes	$ (9,498)	$ 5,070

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. The significant components of deferred tax assets and liabilities consist of the following:

	As of December 31, 2023	As of December 31, 2022
Deferred tax assets:		
Net operating loss carryforwards – domestic	$ 20,288	$ 20,565
Net operating loss carryforwards – foreign	1,516	1,537
Intangible assets	10,191	11,671
Capitalized R&E Costs	4,151	—
Nonqualified stock options	486	387
Accruals and reserves	334	582
163(j) interest limitation	1,612	1,024
Other	28	22
Total deferred tax assets	38,606	35,788
Valuation allowance	(38,598)	(35,780)
Total deferred tax assets, net of allowance	$ 8	$ 8
Deferred tax liabilities:		
Other	$ (8)	$ (8)
Total deferred tax liabilities	(8)	(8)
Total deferred tax assets, net	$ —	$ —

Management regularly assesses the ability to realize deferred tax assets recorded based upon the weight of available evidence, including such factors as recent earnings history and expected future taxable income on a jurisdiction-by-jurisdiction basis. In the event that the Company changes its determination as to the amount of realizable deferred tax assets, the Company will adjust its valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made. The Company's management believes that, based on a number of factors, it is more likely than not, that all or some portion of the deferred tax assets will not be realized; and accordingly, for the year ended December 31, 2023, the Company has provided a valuation allowance against the Company's U.S. net deferred tax assets. The net change in the valuation allowance for the year ended December 31, 2023 was an increase of $2,818.

As a result of the Business Combination in 2022, the Company had net operating loss ("NOL") carryforwards for federal, state and foreign income tax purposes of approximately $81,324, $60,498 and $5,327, respectively, as of December 31, 2023. The Company's state NOL will begin to expire in 2039 and all of the Company's federal NOL will last indefinitely. The Company's foreign NOL will begin to expire in 2037.

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").

(in thousands, except share and per share amounts)

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. The annual limitation may result in the expiration of the net operating loss before utilization. The Company has not performed a Section 382 study as of December 31, 2023 due to its full valuation allowance.

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 December 31, 2023 and 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.

Under the Tax Cuts and Jobs Act of 2017, research and development costs are no longer fully deductible and are required to be capitalized and amortized for U.S. tax purposes effective January 1, 2022. The mandatory capitalization requirement had no material impact to the Company during the year ended December 31, 2023.

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.

The provision for income taxes differs from the amount estimated by applying the statutory federal income tax rate to net (loss) income before taxes as follows:

	Year Ended December 31,	
	2023	2022
Federal tax expense (benefit) at statutory rate	$ (1,992)	$ 1,065
State income tax expense (benefit) at statutory rate, net of federal benefit	(381)	238
Permanent differences	—	—
Deferred tax asset true-ups	(528)	(266)
Rate change	(308)	(329)
Foreign Rate Differential	21	—
Nondeductible items	7	—
Change in valuation allowance	2,818	7,753
Stock-based compensation	187	195
Change in fair value of warrants	(77)	(9,011)
Nondeductible compensation under 162(m)	245	353
Other adjustments, net	8	2
Provision for income taxes	$ —	$ —

NOTE 18 — Net (Loss) Income Per Share

Basic and diluted net (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) income per share attributable to common stockholders is computed by dividing the net (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

(in thousands, except share and per share amounts)

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 December 31, 2023, the Company had 81,260 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 11 for additional information). Net (loss) income is attributed to common stockholders and participating securities based on their participation rights. Net (loss) income 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.

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) income per share attributable to common stockholders, as a group, for the periods presented:

	Year Ended December 31,	
	2023	**2022**
Net (loss) income	$ (9,498)	$ 5,070
Income impact of FPAs	—	(346)
Total undistributed (loss) income	$ (9,498)	$ 4,724
Weighted average shares outstanding	2,005,549	1,754,012
Dilutive effect of FPAs	—	56,984
Dilutive effect of stock-based awards	—	76,028
Common stock and common stock equivalents	2,005,549	1,887,024
Basic net (loss) income per share	$ (4.74)	$ 2.89
Diluted net (loss) income per share	$ (4.74)	$ 2.50

(in thousands, except share and per share amounts)

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.

The following shares of common stock subject to certain instruments were excluded from the computation of diluted net (loss) income per share attributable to common stockholders for the periods presented as their effect would have been antidilutive:

	Year Ended December 31,	
	2023	2022
Shares subject to warrants	522,549	522,549
Shares subject to convertible promissory notes	124,808	121,043
Shares subject to ESPP	10,470	14,101
Escrow Shares	81,260	81,260
Shares subject to outstanding common stock options, RSUs and PSUs	255,953	185,234
Shares subject to stockholder earn-out rights	271,454	271,454
	1,266,494	1,195,641

See Note 9 for additional information regarding convertible promissory notes, Note 11 for additional information regarding stockholder earn-out rights, preferred stock, and Escrow Shares, Note 12 for additional information regarding warrants, and Note 13 for additional information regarding stock options, RSUs and PSUs.

NOTE 19 - Subsequent Events

Board Composition

On March 25, 2024, Michael Blue tendered his resignation as a member of the Board, as chair of the Board, as chair and a member of the Board's Nominating and Corporate Governance Committee, and as a member of the Board's Audit Committee, with such resignation effective at the date and time that his successor is appointed and qualified or upon acceptance by the Board. Also on March 25, 2024, the Board appointed two new independent directors, Jeffrey Monat and Andres Nannetti, to the Board, and Mr. Blue's resignation was deemed effective upon such appointments. Mr. Monat will serve on the Board's Audit Committee and Nominating and Corporate Governance Committee. Mr. Nannetti will serve on the Board's Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee. In addition, the Company's existing director, Alan Pickerill, was appointed to Chair of the Board.

Delisting Notice

From January 1, 2024 until March 25, 2024, Leafly was out of compliance with Nasdaq Listing Rule 5605(c)(2)(A) (the "Audit Committee Rule"), which requires our Board's Audit Committee to be composed of at least three independent members. On January 3, 2024, we received a letter (the "Notice") from the Staff confirming Leafly's noncompliance with the Audit Committee Rule and providing Leafly with a cure period to regain compliance (i) until the earlier of Leafly's next annual meeting of stockholders or January 2, 2025; or (ii) if the next annual meeting of stockholders is held before July 1, 2024, then Leafly must evidence compliance no later than July 1, 2024 (the "Cure Period"). The Notice did not immediately affect the listing of Leafly's common stock or warrants, and its common stock and warrants continue to trade on Nasdaq as of the date of this 2023 Annual Report. As a result of the Board's appointment on March 25, 2024 of two new independent directors, Messrs. Monat and Nannetti, to the Board and to the Board's Audit Committee, on April 1, 2024, the Company received written notice from the Staff confirming that the Company regained compliance with the Audit Committee Rule and this matter is now closed.

Dilution

Issuance of Equity Awards

On January 30, 2024, Leafly's compensation committee approved the vesting of 30,560 PSUs related to the achievement of the Company's 2023 ending cash performance target (Note 13).

On February 28 and March 26, 2024, Leafly awarded a total of 187,024 RSUs, of which 176,168 will vest quarterly in 25% increments over one year and 10,856 RSUs will vest 50% after one year and 12.5% quarterly thereafter, to Leafly executives and other employees (Note 13).

ESPP Issuance

On March 15, 2024, Leafly issued 8,443 shares on behalf of its ESPP (Note 13) for a total of $16.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) 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 Annual Report on Form 10-K. 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 Annual Report.

Management's Report on Internal Controls Over Financial Reporting

As required by SEC rules and regulations implementing Section 404 of the Sarbanes-Oxley Act, our management, with the participation of our principal executive officer and our principal financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external reporting purposes in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company,

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect errors or misstatements in our consolidated financial statements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate.

Under the supervision of and with the participation of our principal executive officer and principal financial officer, our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2023, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013 framework). Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2023.

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm due to our status as a non-accelerated filer.

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(f) 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 December 31, 2023.

Item 9B. OTHER INFORMATION

During the three months ended December 31, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K.

Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not applicable.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information about our Directors and Executive Officers

Below is a list of the members of our board of directors (the "Board") and our executive officers as of the date of this filing, their respective ages, positions and offices held with the Company, and the composition of the Board's three standing committees, including the Audit Committee established in accordance with Section 3(a)(58)(B) of the Exchange Act and rules of Nasdaq.

Name	Class (1)	Current Term Expires (2)	Age	Positions Held	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Directors and Executive Officers:							
Yoko Miyashita	I	2025	49	Chief Executive Officer, Director	—	—	—
Suresh Krishnaswamy	—	—	55	Chief Financial Officer	—	—	—
Nicole Sanchez	—	—	51	General Counsel	—	—	—
Non-Employee Directors:							
Peter Lee	II	2026	47	Director	—	—	Member
Jeffrey Monat	III	2024	45	Director	Member	—	Chair
Andres Nannetti	III	2024	47	Director	Member	Chair	Member
Alan Pickerill	I	2025	57	Board Chair	Chair	Member	—

1. In accordance with the bylaws of the Company, our Board is divided into three classes, each comprising as nearly as possible one-third of the directors and serving three-year terms with only one class of directors being elected in each year.
2. Ms. Miyashita and Messrs. Lee and Pickerill have served on our Board since February 4, 2022, and Messrs. Monat and Nannetti were appointed to serve as Class III directors of our Board on March 25, 2024. The term of our Class III directors began on February 4, 2022. The current term of our Class I Directors, Yoko Miyashita and Alan Pickerill, began on July 13, 2022, and the current term of our Class II Director, Peter Lee began on July 12, 2023.

We summarize below the business experience of each of our directors and executive officers, including for each of our directors, the key experience and qualifications that led our Board to conclude that each such person should serve as one of our directors.

Suresh Krishnaswamy. Mr. Krishnaswamy has served as the Company's Chief Financial Officer since September 2021. Prior to joining Leafly, Mr. Krishnaswamy served as Principal for NextLevel Business Consulting from November 2019 to August 2021, where he developed vision and strategy for large companies in financial services and technology. Prior to joining NextLevel, he served as Chief Financial Officer of Drift from June 2018 to October 2019, as a treasury and pricing strategy consultant for Remitly from April 2017 to November 2017, and as a principal at DataSense Analytics from June 2015 to April 2017. Mr. Krishnaswamy brings more than 25 years of experience in finance and technology, having served in leadership roles at global companies and marketplace startups. He has worked with major investment banks, including Credit Suisse, Bank of America (Fleet Boston Financial), Credit Agricole, and Barclays. Mr. Krishnaswamy holds a BS in Computer

Science from the University of Pennsylvania and a MS in Computer Science from the University of Texas.

Peter Lee. Mr. Lee has served as a member of the Board since February 4, 2022. Mr. Lee served as Merida's President from August 2019 until February 4, 2022, and Merida's Chief Financial Officer, Secretary and a member of Merida's board of directors from September 2019 until February 4, 2022. Mr. Lee has spent more than 20 years as an investment professional in both public markets and private equity. Since April 2018, Mr. Lee has been an independent investor and consultant. From 2011 to April 2018, he co-founded and was a Managing Partner at Sentinel Rock Capital, LLC, a long/short equity oriented hedge fund. Prior to this, from 2009 to 2011, he was an Analyst and a Partner at Spring Point Capital, a long/short equity oriented hedge fund. From 2007 to 2009, he was the sector head for financial services and retail industries at Blackstone Kailix, the long/short equity hedge fund business of The Blackstone Group. From 2005 to 2007, he was an analyst at Tiger Management evaluating public investments. Mr. Lee joined Tiger Management after receiving his MBA. Earlier, Mr. Lee focused on growth private equity investing in financial services and financial technology companies as a senior associate at J.H Whitney & Company from 2000 to 2002 and an associate at Capital Z Partners from 1999 to 2000. Mr. Lee began his career in 1997 as an analyst at Morgan Stanley Capital Partners, the private equity investment fund of Morgan Stanley. Mr. Lee received a B.S. in Business Administration from the University of California at Berkeley Haas School of Business and an MBA from Stanford Graduate School of Business.

We believe Mr. Lee is well-qualified to serve as a director on our Board due to his business experience, including his consulting experience and business contacts and relationships.

Yoko Miyashita. Ms. Miyashita serves as the Chief Executive Officer of the Company and as a member of the Company's Board. Ms. Miyashita was appointed as the Chief Executive Officer of Legacy Leafly in August 2020, after serving as Legacy Leafly's General Counsel since May 2019. Ms. Miyashita previously served as a director of Legacy Leafly from 2020 to 2022 and was appointed as a director of our Board on February 4, 2022. Previously, Ms. Miyashita served in several roles, including as SVP and General Counsel, at Getty Images from July 2005 to April 2019. Prior to joining Getty Images, she practiced law with Perkins Coie LLP from November 2001 to June 2005 in Seattle, Washington. Ms. Miyashita has spent her career serving mission-driven companies navigating complex global legal and regulatory environments in order to bring meaningful and compelling products to market. She holds a J.D. from the University of Washington School of Law and a B.A. from the University of California, Berkeley.

We believe Ms. Miyashita's long-term vision for the Company and operational and historical expertise gained from serving as our Chief Executive Officer qualifies her to serve as a director on our Board.

Jeffrey Monat. Mr. Monat was appointed to the Board on March 25, 2024. Mr. Monat has served as a Senior Partner at Merida Capital Holdings, a private equity firm, since 2018. Mr. Monat brings over 20 years of experience as an institutional investor including roles in investment analysis, M&A transactions, financial valuation, and corporate governance issues, and has been an investor in cannabis companies since 2013. Since January 2022, Mr. Monat has served as an independent director at Lowell Farms Inc. From August 2019 to February 2022, Mr. Monat served as a member of the board of directors at Merida. From 2016 to 2018, Mr. Monat served as a Senior Analyst at Sage Rock Capital, an event-driven hedge fund based in New York. Prior to this, from 2012 to 2016, he served as a Senior Analyst at Seven Locks Capital, a long/short equity hedge fund. From 2010 to 2012, Mr. Monat was with FrontPoint Rockbay, an event-driven hedge fund in New York. From 2003 to 2010, Mr. Monat was an Investment Analyst at Rockbay Capital. Prior to this, he was with Goldman Sachs, where he advised clients on M&A transactions, financial valuation, and corporate governance from 2000 to 2002 and worked in the Goldman Sachs Principal Strategies Group from 2002 to 2003. Mr. Monat currently serves as Treasurer and Trustee of the Friends Grow Friends Foundation, Inc., an after-school program that helps children with special needs improve their social skills. Mr. Monat received a B.S. in Economics from The Wharton School of the University of Pennsylvania.

We believe Mr. Monat is well-qualified to serve as a director on our Board due to his business experience and experience in the cannabis industry.

Andres Nannetti. Mr. Nannetti was appointed to the Board on March 25, 2024. Since September 2005, Mr. Nannetti has served as Managing Director of Leawood Investments, an investment management firm whose investments include real estate and land development, public infrastructure services, cannabis cultivation and manufacturing of derivative products, fresh cut flower growing, and agricultural companies in Columbia. Mr. Nannetti brings over 25 years of domestic and international business leadership and experience as both an executive officer of companies and a private equity principal investor. Mr. Nannetti served as a member of the board of directors at Merida from September 2019 to February 2022. From August 2018 to April 2022, Mr. Nannetti served as Executive Chairman of NatuEra Sarl, a Luxembourg-based global cannabis contract development and manufacturing organization with operations in Colombia. From 1999 to 2002, Mr. Nannetti co-founded and was the Chief Executive Officer at Rovia Inc., a Boston-based digital rights management software provider acquired by Enchoice. Mr. Nannetti began his career in 1998 at JP Morgan in the Latin America M&A and Morgan Capital Private Equity Groups. Mr. Nannetti received a B.S. in Economics from the Massachusetts Institute of Technology and an MBA from the Stanford Graduate School of Business.

We believe Mr. Nannetti is well-qualified to serve as a director on our Board due to his business experience, including his experience in private equity investment, operational experience, and experience in the cannabis industry.

Alan Pickerill. Mr. Pickerill has served as a member of the Board since February 4, 2022. Mr. Pickerill has served in a variety of finance and accounting roles over a 30+ year career, mainly for publicly traded technology companies. He is currently the lead independent director for Porch Group (Nasdaq: PRCH), a board member of Manson Construction and sits on the board of the YMCA of Greater Seattle. He also has served as an adjunct faculty member for the University of Washington Foster School EMBA program since December 2021. Mr. Pickerill served as Expedia Group's Executive Vice President, Chief Financial Officer and Treasurer from September 2017 to December 2019 and had been with the company since 2008. Mr. Pickerill oversaw Expedia Group's accounting, financial reporting and analysis, investor relations, treasury, internal audit, tax and global real estate teams. Previously, he served as Expedia Group's Senior Vice President of Investor Relations and Treasurer. Mr. Pickerill began his career as an accountant for seven years at Deloitte and Touche before working at a variety of publicly traded technology and internet companies, including serving as Chief Financial Officer of INTERLINQ Software Corporation, as well as roles at Microsoft and Getty Images. Mr. Pickerill was licensed as a certified public accountant in Washington in 1991. Mr. Pickerill received a B.A. in Business and Accounting from the University of Washington's Michael G. Foster School of Business.

We believe Mr. Pickerill's business and financial expertise and experience make him well-qualified to serve as a director on our Board.

Nicole Sanchez. Ms. Sanchez has served as Leafly's General Counsel and Secretary since January 2024, and prior to that was Leafly's Senior Corporate and Securities Counsel from January to December 2023. Prior to joining Leafly, Ms. Sanchez served as Vice-President, Senior Legal Counsel from July to December 2022 and as Special Advisor and Legal Counsel from November 2021 to June 2022 for Aspen Insurance, U.S. Services Inc., a subsidiary of Aspen Insurance Group, a large multinational specialty (re)insurer. Prior to that, Ms. Sanchez served as Vice President, Associate General Counsel and Assistant Corporate Secretary for NMI Holdings, Inc., the holding company of National Mortgage Insurance Corporation, a nationally licensed private mortgage insurer from April 2013 to March 2021. Ms. Sanchez has a B.A. in American Studies and Studies in the Environment from Yale College and a J.D. from University of California Berkeley School of Law.

Family Relationships

There are no family relationships between any of our directors, nominees, or executive officers. There also are no arrangements or understandings between any director, nominee, or executive officer and any other person pursuant to which he or she has been or will be selected as a director and/or executive officer.

Audit Committee Financial Expert

Each member of our Audit Committee qualifies as an "audit committee financial expert" as defined by the SEC, including as a result of their business experience described above. In addition, each of our Audit Committee members satisfies the independence criteria set forth in Rule 10A-3 under the Exchange Act and the listing standards of Nasdaq.

Code of Ethics and Business Conduct

We have adopted a code of ethics and business conduct that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer, which is available on our website at https://investor.leafly.com/. Our code of ethics and business conduct is a "code of ethics," as defined in Item 406(b) of Regulation S-K. We expect to make any legally required disclosures regarding amendments to, or waivers of, provisions of our code of ethics on our website.

Item 11. EXECUTIVE COMPENSATION

Overview

As a "smaller reporting company" and an "emerging growth company," we provide executive compensation disclosure in this Annual Report pursuant to scaled disclosure rules applicable to smaller reporting companies, as such term is defined in the rules promulgated under the Securities Act, and which require compensation disclosure for (i) our principal executive officer; (ii) two of our other most highly compensated executive officers, whose total compensation for 2023 exceeded $100,000 and who were serving as executive officers as of December 31, 2023; and (iii) up to two additional individuals who would have been named executive officers under (ii) but for the fact that such individuals no longer served as executive officers as of December 31, 2023. We refer to these individuals as our "NEOs." For fiscal year 2023, our NEOs were Yoko Miyashita, our Chief Executive Officer and Suresh Krishnaswamy, our Chief Financial Officer.

Employment Arrangements with our Named Executive Officers

Yoko Miyashita, Chief Executive Officer

Ms. Miyashita serves as Leafly's Chief Executive Officer on an at-will basis pursuant to an employment agreement she entered into with Legacy Leafly, effective as of August 17, 2020 (the "CEO Agreement"). The CEO Agreement provides for (i) a base salary of $400,000, which may be adjusted by our Board or our Compensation Committee based on its annual performance review practices, and (ii) a target annual bonus opportunity equal to 50% of Ms. Miyashita's then base salary, which may be awarded in cash and/or equity at the discretion of our Compensation Committee. As provided in the CEO Agreement, Ms. Miyashita: (i) received stock option awards in 2021, which are described below under, "*— Performance-Based Option Awards"* and (ii) is eligible to receive long-term equity incentive compensation awards, at the discretion of our Compensation Committee, pursuant to our equity incentive compensation plans and programs in effect from time-to-time. See "*— Outstanding Equity Awards at Fiscal Year-End"* below for a summary of Ms. Miyashita's outstanding equity awards as of December 31, 2023. Ms. Miyashita also is eligible to participate in the employee benefit plans generally available to our employees.

The CEO Agreement provides that if any payments or benefits provided for under the agreement or otherwise payable to Ms. Miyashita are considered "excess parachute payments" under Section 280G of the Code, then such payments will be limited to the greatest amount that may be paid to Ms. Miyashita under Section 280G of the Code without causing any loss of deduction to Leafly under such Code section, but only if, by reason of such reduction, the "net after tax benefit" to Ms. Miyashita will exceed the net after tax benefit if such reduction was not made.

For a description of the payments and other benefits that Ms. Miyashita would be entitled to upon certain terminations of employment, see below under "*Potential Payments upon Termination of Employment or Change in Control*."

Suresh Krishnaswamy, Chief Financial Officer

Mr. Krishnaswamy serves as Leafly's Chief Financial Officer on an at-will basis pursuant to an offer letter he entered into with Legacy Leafly, dated September 13, 2021, effective as of September 20, 2021 (the "CFO Letter"). The CFO Letter provides for (i) a base salary of $375,000, which may be adjusted by our Board or our Compensation Committee based on its annual performance review practices, and (ii) a target annual bonus opportunity equal to 40% of Mr. Krishnaswamy's then base salary, which may be awarded in cash and/or equity at the discretion of our Compensation Committee. Pursuant to the terms of the CFO Letter, Mr. Krishnaswamy (i) received certain "new-hire" equity awards in 2021 and 2022, which are described below under "*—Long-Term Equity Incentive Compensation*" and (ii) is eligible to receive long-term equity incentive compensation awards, at the discretion of our Compensation Committee, pursuant to our equity incentive compensation plans and programs in effect from time-to-time. See "*— Outstanding Equity Awards at Fiscal Year-End*" below for a summary of Mr. Krishnaswamy's outstanding equity awards as of December 31, 2023. In July 2023, we entered into an Executive Severance Agreement ("Severance Agreement") with Mr. Krishnaswamy providing for severance benefits in connection with certain terminations of employment. See "*Potential Payments upon Termination of Employment or Change in Control*" below, for a description of the payments and other benefits to which Mr. Krishnaswamy would be entitled upon certain terminations of employment. Mr. Krishnaswamy also is eligible to participate in the employee benefit plans generally available to our employees.

Principal Components of Our Executive Compensation Program

This section discusses the material components of our executive compensation program for our NEOs. Leafly became a publicly-traded company in February 2022, and as such, we expect that our executive compensation program will evolve over time, while still supporting Leafly's overall business and compensation objectives.

Base Salary

Base salaries are intended to provide a level of compensation sufficient to attract and retain an effective management team, when considered in combination with the other components of the executive compensation program and compared against compensation in the market for similar positions. In general, we seek to provide a base salary level designed to reflect each executive officer's scope of responsibility and accountability. Please see the "*Salary*" column in the Summary Compensation Table below for the base salary amounts paid to each of our NEOs for their services during the years presented.

Annual Bonus Plan

In 2023, our Compensation Committee approved a 2023 Annual Incentive Plan ("2023 AIP") that provided for incentive awards to be paid to eligible employees, including our NEOs, in cash, shares of our common stock, or in a combination thereof. The Compensation Committee retained full discretion to determine whether to make awards under the 2023 AIP after considering a range of factors for fiscal year 2023, including year-end cash balance, revenue, adjusted EBITDA, and market and macro conditions. To be eligible to receive any bonus, each NEO must be employed with the Company at the time such payment is made.

In 2024, after assessing the Company's 2023 financial performance, including the factors discussed above, the significant drop in ending retail accounts at the end of 2023 compared to the end of 2022, the significant decline in revenue from our Brands segment, and other factors, no awards were approved by the Compensation Committee under the 2023 AIP.

Long-Term Equity Incentive Compensation

Our NEOs are eligible to receive equity-based awards at the discretion of our Compensation Committee under our 2021 Plan. Prior to the Business Combination, our NEOs received grants of stock options under our 2018 Plan. Equity awards are intended to further align the interests of our NEOs with the interests of our stockholders and emphasize long-term performance by linking compensation to achievement of performance goals and share price appreciation over a multi-year period and to also support the retention of our management team. Our equity award program for NEOs is determined annually by the Compensation Committee. To date, our NEOs have received grants of service- and performance-based RSUs under our 2021 Plan and service- and performance-based stock options under our 2018 Plan, as described below.

Performance-Based Stock Unit ("PSUs") Awards

2022 PSU Awards

In 2022, the Compensation Committee granted multi-year PSU awards to our NEOs under our 2021 Plan (the "2022 PSU Awards"). Each 2022 PSU Award consists of three tranches, with the number of PSUs in each tranche generally equal to one-third of the total number of PSUs granted under each such award. Each tranche represents the number of PSUs that are eligible to vest in a respective annual performance period (each a "Performance Period"), based on achievement of performance goals set by our Compensation Committee for each such Performance Period. If all or a portion of the PSUs do not vest for a particular Performance Period, such unvested PSUs will remain outstanding and will be eligible for vesting if we achieve a $1 billion market capitalization for any 20 days during a 30-day period on or before February 4, 2026 (the "PSU Market Cap Milestone"). If the PSU Market Cap Milestone is achieved on or before February 4, 2026, all then outstanding unvested PSUs will become fully vested as of the date the Compensation Committee makes a determination confirming that the PSU Market Cap Milestone has been achieved.

2022 Performance Period

The first tranche of the 2022 PSU Awards was eligible to vest based on achievement of the below "2022 Top Line Revenue" and "Adjusted EBITDA" targets and corresponding payout percentages (the "2022 Performance Goals") that were set and approved by our Compensation Committee for the "2022 Performance Period," which ran from January 1, 2022 to December 31, 2022, with such PSUs allocated 50% to each 2022 Performance Goal. At the time we granted the 2022 PSU Awards, we determined that the grant date fair value of the portion of the award subject to the 2022 Top Line Revenue target was $0, based on a conclusion at the date of grant that such target would not be achievable.

2022 Top Line Revenue [(1)]	**Payout Percentage**
$55 million	100%
Less than $55 million	0%

1. "Top Line Revenue" means total reported revenue in the Annual Report on Form 10-K for the 2022 Performance Period.

Adjusted EBITDA [(1)]	**Payout Percentage**
Loss equal to or less than $27 million	100%
Loss greater than $27 million but equal to or less than loss of $27.5 million	75%
Loss greater than $27.5 million but equal to or less than loss of $28.5 million	50%
Loss greater than $28.5 million	0%

1. "Adjusted EBITDA" for the 2022 Performance Period is calculated as net income (loss) before interest, taxes and depreciation and amortization expense adjusted to exclude non-cash, unusual and/or infrequent costs and further adjusted for the impact of any change in accounting due to changes in the form of payment for bonus awards we paid under our 2022 Annual Incentive Plan ("2022 AIP") (*e.g.*, any add back to expense for payment of annual incentive awards in the form of stock-based awards instead of cash).

In March 2023, after assessing the Company's achievement of the 2022 Performance Goals, the Compensation Committee made a final determination confirming that (i) the 2022 Top Line Revenue was $47.4 million, resulting in 0% achievement of the Top Line Revenue Performance Goal; and (ii) the Company's Adjusted EBITDA loss was $23.2 million, resulting in 100% achievement of the Adjusted EBITDA Performance Goal. As a result of such determination, on March 13, 2023, 50% of the PSUs underlying the first tranche of each of Ms. Miyashita's and Mr. Krishnaswamy's 2022 PSU Awards vested, and the remaining 50% of the PSUs underlying the first tranche of their respective 2022 PSU Awards that did not vest because the Top Line Revenue Performance Goal was not met will remain outstanding and eligible to vest if the Company achieves the PSU Market Cap Milestone.

2023 Performance Period

The second tranche of our NEOs' 2022 PSU Awards was eligible to vest based on achievement of the below "Cash Balance" targets and corresponding payout percentages (the "2023 Performance Goals") that were set and approved by our Compensation Committee for the "2023 Performance Period," which ran from January 1, 2023 to December 31, 2023.

Cash Balance[(1)] as of December 31, 2023	**Payout Percentage**
> 14.5 Million	100%
> 14.3 Million and <= 14.5 Million	87.5%
> 14.1 Million and <= 14.3 Million	75%
> 13.9 Million and <= 14.1 Million	62.5%
> 13.7 Million and <= 13.9 Million	50%
<= 13.7 Million	0%

1. "Cash Balance" means the amount equal to the Company's "cash and cash equivalents" less "restricted cash," each as reflected on the Company's consolidated balance sheets as of December 31, 2023.

In January 2024, after assessing the Company's achievement of the 2023 Performance Goals, the Compensation Committee made a final determination confirming that the Company's Cash Balance as of December 31, 2023 was in excess of $15 million, resulting in 100% achievement of the 2023 Performance Goals. As a result of such determination, on January 30, 2024, 100% of the PSUs underlying the second tranche of each of Ms. Miyashita's and Mr. Krishnaswamy's 2022 PSU Awards vested.

2024 Performance Period

The third tranche of our NEOs' 2022 PSU Awards is eligible to vest based on achievement of certain cash balance targets established by the Compensation Committee in February 2024 for the "2024 Performance Period," which runs from January 1, 2024 to December 31, 2024.

<u>2023 PSU Awards</u>

In 2023, our Compensation Committee granted one-year PSU awards to our NEOs under our 2021 Plan (the "2023 PSU Awards"), which were eligible to vest based on achievement of the same Cash Balance performance goals that were set by our Compensation Committee for the second tranche of the 2022 PSU Awards, for a performance period running from January 1, 2023 to December 31, 2023, as described above under *—2023 Performance Period*. In January 2024, after assessing the Company's achievement of the 2023 Performance Goals, the Compensation Committee made a final determination confirming that the Company's Cash Balance as of December 31, 2023 was in excess of $15 million, resulting in 100% achievement of the 2023 Performance Goals. As a result of such determination, on January 30, 2024, 100% of the PSUs underlying each of Ms. Miyashita's and Mr. Krishnaswamy's 2023 PSU Award vested.

Time-Based RSU Awards

In 2023, we also granted time-based RSU awards under our 2021 Plan to each of our NEOs. As previously disclosed, in March 2023, our Compensation Committee approved 2022 bonus awards for our NEOs under our 2022 AIP, which were paid 75% in cash and 25% in RSU awards (the "2022 AIP RSU Awards"). The 2022 AIP RSU Awards vested in full over four months from March to June 2023. In addition, our Compensation Committee approved annual equity incentive grants to our NEOs in (i) July 2023, which are eligible to vest in 1/8th increments on the 20th day of every third month for two years beginning on August 20, 2023 until the awards fully vest, and (ii) November 2023, which are eligible to vest in 1/4th increments on the 20th day of every third month for one year beginning on January 20, 2023 until the awards fully vest, in each case subject to the NEO's continuous employment on each scheduled vesting date. See, — *Outstanding Awards at Fiscal Year End*, below.

Performance-Based Option Awards

In 2021, Legacy Leafly granted Ms. Miyashita and Mr. Krishnaswamy performance-based option awards, as provided under the CEO Agreement and the CFO Letter, respectively (the "Performance Options"), with such grants consisting of a "Liquidity Event Option" and a "Milestone Option." As previously disclosed, the number of shares underlying each NEO's Performance Options was adjusted following the closing of the Business Combination and are presented in the "—*Outstanding Equity Awards at Fiscal Year-End"* table, as adjusted. Each Performance Option is eligible to vest as follows:

- <u>Liquidity Event Option</u>: In 2022, 50% of Ms. Miyashita's Liquidity Event Option vested upon the closing of the Business Combination. Mr. Krishnaswamy's Liquidity Event Option and the unvested 50% of Ms. Miyashita's Liquidity Event Option are eligible to vest upon the earlier of (i) the Company's achievement of a $1 billion market capitalization for any 20 days during a 30-day period on or before the fourth anniversary of the closing of the Business Combination (the "Market Cap Milestone") or (ii) a Change in Control (as defined in the 2018 Plan); provided, in each case of clauses (i) and (ii), that the NEO remains in continuous service until such time.
- <u>Milestone Option</u>: Each Milestone Option described below is eligible to vest upon the achievement of the milestones and in the amounts set forth below; provided that the NEO remains in continuous service until such time. The Milestone Option is eligible to vest in the amounts set forth below on the earlier of (i) the date following the Company's filing with the SEC of its Form 10-K for the applicable fiscal year in which the applicable revenue threshold described below is attained, or (ii) the date the Market Cap Milestone is achieved. All shares subject to the Milestone Option will vest immediately upon a Change in Control provided that the NEO remains in continuous service until such time.
  - *First Milestone Option*: 50% of the total number of shares subject to each Milestone Option would have vested if the Company's consolidated gross revenue for the year ended December 31, 2022 equaled or exceeded $65,000,000 (the "2022 Revenue Threshold") with a "Pro Rata Amount," defined below, that would have vested if the Company's consolidated gross revenue for the year ended December 31, 2022 had equaled or exceeded 90% of the 2022 Revenue Threshold. The unvested First Milestone Option will continue to remain outstanding and eligible to vest if (i) the Market Cap Milestone is achieved, or (ii) there is a Change in Control during the term of the option.
  - *Second Milestone Option*: 50% of the total number of shares subject to each Milestone Option would have vested if the Company's consolidated gross revenue for the year ended December 31, 2023 equaled or exceeded $101,000,000 (the "2023 Revenue Threshold," and each of the 2022 Revenue Threshold and the 2023 Revenue Threshold, a "Revenue Threshold") (with a Pro Rata Amount vesting if the Company's gross consolidated revenue for the year ended December 31, 2023 equaled or exceeded 90% of the 2023 Revenue Threshold). "Pro Rata Amount" means an amount equal to between 90% and 100%, inclusive, of the Second Milestone Option, and corresponded to 90% to 100% achievement of the 2023 Revenue Threshold. The unvested Second Milestone Option will continue to remain outstanding and eligible to vest if (i) the Market Cap Milestone is achieved or (ii) there is a Change in Control during the term of the option.

Time-Based Option Awards

Prior to 2022, Legacy Leafly granted time-based stock option awards to each of our NEOs, which generally are eligible to vest 25% on the first anniversary of the applicable vesting commencement date and in 1/48th increments for each subsequent month of the NEO's continuous employment, until the awards fully vest after four years. Under the terms of the stock option agreements, executive officers have the option of exercising stock options prior to vesting and receive restricted stock upon exercise, which is subject to the same vesting conditions applicable to the underlying stock options.

Retirement Benefits

We offer a tax-qualified defined contribution retirement savings plan (the "401(k) Plan"), pursuant to which our eligible employees, including our NEOs, are able to voluntarily contribute a percentage of their annual compensation on a pre- and post-tax basis, up to the limits prescribed by the Internal Revenue Service. Each pay period, we offer a discretionary 401(k) Company matching contribution for eligible employees who participate in the 401(k) Plan, including our NEOs, of up to 100% of salary deferrals that do not exceed 1% of eligible compensation plus 50% of salary deferrals between 1% and 6% of eligible compensation. Generally, "eligible compensation" used for purposes of calculating contributions under the 401(k) Plan is the amount paid to the employee as base salary, overtime earnings, bonuses and commissions. Each of our NEOs was eligible to participate in the 401(k) Plan in 2023. We do not sponsor any nonqualified deferred compensation plans or pension plans.

2023 Summary Compensation Table

Name and Principal Position		Year	Salary ($)	Stock Awards [1] ($)	Option Awards [2] ($)	Non-Equity Incentive Plan Compensation [3] ($)	All Other Compensation [4] ($)	Total ($)
Yoko Miyashita	Chief Executive Officer	2023	$ 400,000	$ 210,394 [5]	$ —	$ —	$ 29,565	$ 639,959
		2022	389,489	455,914	1,815,345	73,030	32,719	2,766,497
Suresh Krishnaswamy	Chief Financial Officer	2023	375,000	133,592 [6]	—	—	25,073	533,665
		2022	365,146	359,822	—	54,750	20,009	799,727

1. Represents the aggregate grant date fair value of RSU and PSU awards granted to our NEOs in the fiscal years presented, calculated in accordance with FASB ASC Topic 718, Compensation-Stock Compensation ("ASC Topic 718"). The grant-date fair values of the RSU awards and PSU awards with performance conditions were determined based on the Company's closing stock price on the dates of grants, while the grant-date fair value of the PSU awards with market conditions was determined using a Monte-Carlo model. See Note 13, "*Equity Incentive and Other Plans"* to our consolidated financial statements included in this Annual Report.
2. Represents stock-based compensation expense recorded in 2022 in connection with the modification of Ms. Miyashita's option awards. See Note 13, "*Equity Incentive and Other Plans"* to our consolidated financial statements included in this Annual Report.
3. The amounts reported in this column represent each NEO's annual incentive bonus that was earned in 2022, awarded by the Committee, and paid in 2023.
4. The amounts reported in this column include 401(k) plan matching contributions of $8,083 and $10,666 for Ms. Miyashita and Mr. Krishnaswamy, respectively, cell phone allowances, health and welfare program premiums of $13,957 for each of our NEOs, and license, certification, and membership renewal fees under programs that are available to substantially all of our U.S.-based employees.
5. The amount reported includes $72,340 of grant date fair value of the second tranche of Ms. Miyashita's 2022 PSU Award for the 2023 Performance Period and her 2023 PSU Award, based on the probable outcome that the 2023 Performance Goal would be achieved at 100%, as discussed in *"—Long-Term Equity Incentive Compensation – Performance-Based Stock Unit ("PSUs") Awards"* above.

6. The amount reported includes $39,996 of grant date fair value of the second tranche of Mr. Krishnaswamy's 2022 PSU Award for the 2023 Performance Period and his 2023 PSU Award, based on the probable outcome that the 2023 Performance Goal would be achieved at 100%, as discussed in *"—Long-Term Equity Incentive Compensation – Performance-Based Stock Unit ("PSUs") Awards"* above.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information with respect to outstanding equity awards held by our NEOs as of December 31, 2023:

Name	Grant Date	Option Awards: Number of Securities Underlying Unexercised Options Exercisable [1] (#)	Option Awards: Number of Securities Underlying Unexercised Options Unexercisable [1] (#)	Option Awards: Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Awards: Option Exercise Price ($)	Option Awards: Option Expiration Date	Stock Awards: Number of Shares or Units of Stock that Have Not Vested (#)	Stock Awards: Market Value of Shares or Units of Stock that Have Not Vested ($)	Stock Awards: Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested (#)	Stock Awards: Equity Incentive Plan Awards: Market or Payout Value of Shares, Units or Other Rights that Have Not Vested [2] ($)
Yoko Miyashita:	4/16/2020	667	—	—	$ 24.40	4/15/2030				
	11/25/2020	4,576	—	—	$ 22.00	6/30/2029				
	5/4/2021	2,369	—	—	$ 22.00	5/3/2031				
	5/4/2021 (3)	26,600	5,320	—	$ 22.00	5/3/2031				
	5/4/2021 (4)	11,970	—	11,970	$ 22.00	5/3/2031				
	5/4/2021 (5)	—	—	23,940	$ 22.00	5/3/2031				
	8/17/2022 (6)						6,162	$29,639	—	$ —
	10/6/2022 (6)						2,477	$11,914	—	$ —
	10/6/2022 (7)						—	$ —	10,471	$ 50,366
	7/25/2023 (10)						—	$ —	6,818	$ 32,795
	7/25/2023 (11)						10,227	$49,192	—	$ —
	11/30/2023 (12)						6,818	$32,795	—	$ —
Suresh Krishnaswamy:	10/27/2021 (4)	—	—	1,641	$ 165.20	10/26/2031				
	10/27/2021 (5)	—	—	3,282	$ 165.20	10/26/2031				
	10/27/2021 (8)	88	68	—	$ 165.20	10/26/2031				
	11/1/2021 (8)	2,782	2,164	—	$ 165.20	10/31/2031				
	8/17/2022 (9)						3,698	$17,787	—	$ —
	10/6/2022 (9)						1,487	$ 7,152	—	$ —
	10/6/2022 (7)						—	$ —	4,114	$ 19,788
	7/25/2023 (11)						6,818	$32,795	—	$ —
	7/25/2023 (10)						—	$ —	4,545	$ 21,861
	11/30/2023 (12)						4,545	21,861	—	$ —

1. Amount represents the number of securities underlying option awards granted to our NEOs by Legacy Leafly under the 2018 Plan prior to the Business Combination, as converted, upon closing, to options to purchase shares of Leafly Common Stock, using an exchange ratio of 0.3283.

2. The value is based on the $4.81 closing price of our common stock on Nasdaq on December 29, 2023 multiplied by the number of unvested RSUs and PSUs as of December 31, 2023.

3. Represents Ms. Miyashita's time-based option award granted in 2021 under the 2018 Plan. This option vested 25% on August 17, 2021, the first anniversary of the vesting commencement date, and thereafter, vested or will vest (subject to Ms. Miyashita's continuous employment) in monthly increments generally equal to 1/48 of the total number of shares underlying the award.

4. Represents the NEO's Liquidity Event Option granted in 2021 under the 2018 Plan. For Ms. Miyashita, 50% of the options vested in February 2022. Mr. Krishnaswamy's, and the unvested portion of Ms. Miyashita's, Liquidity Event Option are eligible to vest based on achievement of the performance conditions described under *"— Performance-Based Option Awards – Liquidity Event Option"* above.

5. Represents the NEO's Milestone Option, which was granted in 2021 under the 2018 Plan and is eligible to vest based on achievement of the performance conditions described under *"— Performance-Based Option Awards – Milestone Option"* above.

6. Represents Ms. Miyashita's time-based Annual RSU Award, which was granted in 2022 under the 2021 Plan and is scheduled to vest quarterly in 1/16 increments, on the 20th day of every third month of the NEO's continuous employment, starting on October 20, 2022.
7. Represents the NEO's 2022 PSU Award, which is eligible to vest in 1/3 installments, over three separate Performance Periods, based on achievement of the PSU Performance Goals established for each Performance Period, as described under *"— Performance-Based RSU Awards"* above. In March 2023, 1/6 of the award vested based upon achievement of one of the performance criteria for 2022 and in January 2024, 1/3 of the award vested based upon the achievement of the performance criterion for 2023. In addition, the remainder of the 2022 PSU Award is eligible to vest if we achieve the PSU Market Cap Milestone on or before February 4, 2026. The number reported for each NEO is based on maximum achievement.
8. Represents Mr. Krishnaswamy's time-based option award granted in 2021 under the 2018 Plan. The option vested 25% on September 20, 2022, the first anniversary of the vesting commencement date, and thereafter, vested or will vest (subject to Mr. Krishnaswamy's continuous employment) in monthly increments generally equal to 1/48 of the total number of shares underlying the option award.
9. Represents Mr. Krishnaswamy's New Hire RSU Award, which was granted in 2022 under the 2021 Plan. The New Hire RSU Award vested 25% on October 20, 2022, and thereafter is scheduled to vest quarterly in 1/16 increments on the 20th day of every third month of continuous employment until fully vested.
10. Represents the NEO's 2023 PSU Award, which was eligible to vest based on achievement of the PSU Performance Goals established for 2023, as described under *"— Performance-Based RSU Awards"* above. In January 2024, 100% of the award vested based upon the achievement of the performance criterion for 2023.The number reported for each NEO is based on maximum achievement.
11. Represents the NEO's time-based Annual RSU Award, which was granted in 2023 under the 2021 Plan and is scheduled to vest quarterly in 1/8 increments, on the 20th day of every third month of the NEO's continuous employment, starting on August 20, 2023.
12. Represents the NEO's time-based Annual RSU Award, which was granted in 2023 under the 2021 Plan and is scheduled to vest quarterly in 1/4 increments, on the 20th day of every third month of the NEO's continuous employment, starting on January 20, 2024.

Potential Payments upon Termination of Employment or Change in Control

Voluntary Resignation or Termination for Cause or Due to Death or Disability

Yoko Miyashita, CEO

The CEO Agreement provides that if Ms. Miyashita voluntarily resigns other than for "Good Reason" or the Company terminates her employment for "Cause" or in the event of her death or "Disability" (each as defined in the CEO Agreement), no further payments would be due to Ms. Miyashita, except that she would be entitled to (i) any amounts of compensation that were earned, accrued or owing but not yet paid and (ii) any benefits accrued or earned under the Company's benefit plans and programs or to which she is otherwise entitled under applicable law (clause (i) and (ii) collectively, the "Accrued Compensation and Benefits").

For Ms. Miyashita, "Cause" is defined in the CEO Agreement as any of the following: (a) failure to perform the assigned duties or responsibilities pursuant to the agreement (other than a failure resulting from Disability) after written notice thereof from the Company describing Ms. Miyashita's failure to perform such duties or responsibilities, and failure by Ms. Miyashita within 30 calendar days from the date of such written notice to remedy such performance failure; (b) engagement in any act of dishonesty, fraud, misrepresentation, embezzlement or other acts that are or would reasonably be expected to be injurious in a material respect to the Company; (c) a violation of any federal or state law or regulation applicable to our business; (d) a breach of any confidentiality agreement or invention assignment agreement between Ms. Miyashita and the Company; (e) conviction of, or entering a plea of nolo contendere to, any crime (other than minor traffic violations) or any act of moral turpitude; (f) continuing gross negligence or gross misconduct after written notice thereof from the Company describing the applicable conduct, and failure to cure, if curable, within 10 calendar days from the date of such written notice to remedy such conduct; or (g) a breach of any material term of the CEO Agreement, the Confidential Information Agreement or any other employment-related agreement between Ms. Miyashita and the Company.

The CEO Agreement defines "Good Reason" as Ms. Miyashita's resignation within 30 days after the expiration of any Company cure period following the occurrence of one or more of the following, without Ms. Miyashita's consent: (a) a material reduction of authority, duties or responsibilities; (b) a reduction of more than 10% in base cash compensation as in effect immediately prior to such reduction, unless the Company also similarly reduces the base cash compensation of all other senior executives of the Company; (c) a material change in the geographic location of the primary work facility or location; provided, that a relocation of less than 25 miles from the then-present location will not be considered a material change in geographic location; (d) a material breach by the Company of the CEO Agreement; (e) prior to a Change in Control, Ms. Miyashita no longer serving as a member of the Board of Directors (other than pursuant to voluntary resignation from the Board of Directors); or (f) following a Change in Control, the failure of the Company to obtain the assumption of the material obligations of the CEO Agreement by any successor(s).

"Disability" has the same meaning provided in Treasury Regulation Section 1.409A-3(i)(4)(i).

NEOs Other than CEO

If any NEO, other than Ms. Miyashita, terminates service from the Company for any reason, no further payments would be due to the NEO, except that the NEO would be entitled to payment of Accrued Compensation and Benefits.

Outstanding Equity Awards

If an NEO terminates service from the Company for any reason, other than in connection with a change in control (as defined in the applicable plan), any unvested equity awards would be forfeited immediately. The NEO generally would have 90 days after the date of termination to exercise any vested, unexercised stock options. If the Company terminates an NEO for "cause" (as defined in the applicable plan) any vested, unexercised stock options would expire immediately. If an NEO's service terminates due to "disability" (as defined in the applicable plan) or death, the NEO would have 12 months and 18 months after the date of termination, respectively, to exercise any vested, unexercised stock options.

Qualifying Termination of NEO – Not in Change in Control Period

Yoko Miyashita, CEO

Under the CEO Agreement, if Ms. Miyashita incurs a "Qualifying Termination" outside of a "Change in Control Period," she is entitled to the following: (a) cash severance equal to 100% of her annual base salary at the time of such termination, payable over the 12 months following termination and (b) reimbursement for COBRA premiums, grossed up for income taxation, for coverage up to 12 months. A Qualifying Termination is defined in the CEO Agreement as a termination by (a) the Company other than for Cause, death or Disability or (b) Ms. Miyashita for "Good Reason," as defined in the CEO Agreement and summarized above. If there is a Qualifying Termination outside of a Change in Control Period, Ms. Miyashita's unvested equity awards would be forfeited immediately, and she would have 90 days after her date of termination to exercise any vested, unexercised stock options, after which they would expire. Payment of severance is subject to Ms. Miyashita's execution and effectiveness of a release of claims and her resignation from the Board.

A "Change in Control" is defined in the 2018 Plan, and a "Change in Control Period" is the period commencing 90 days prior to, and ending 12 months following, the effective date of a Change in Control.

In connection with the Business Combination, the CEO Agreement was amended to provide that any awards that may be received by Ms. Miyashita in the future under the Earn-Out Plan will remain outstanding and eligible to vest following a Qualifying Termination of Ms. Miyashita's employment.

Suresh Krishnaswamy, CFO

Under the Severance Agreement, if Mr. Krishnaswamy is terminated by the Company other than for "Cause" or resigns for "Good Reason," at a time other than during a "Change of Control Period" (each as defined in the Severance Agreement), subject to his execution and the effectiveness of a release of claims, he would be entitled to the following: (a) cash severance equal to 50% of his annual base salary in effect on his last day of employment (exclusive of any other compensation), payable over the six months following his termination and (b) reimbursement for COBRA premiums for coverage up to six (6) months, if he were to elect coverage.

The Severance Agreement uses the same definition of "Cause" as the CEO Agreement, and is set forth above.

The Severance Agreement defines "Good Reason" as Mr. Krishnaswamy's resignation within thirty days following the expiration of any Company cure period following the occurrence of one or more of the following, without Mr. Krishnaswamy's consent: (i) a material reduction of authority, duties or responsibilities; (ii) a reduction of more than 10% in base cash compensation in effect immediately prior to such reduction, unless the Company also similarly reduces the base cash compensation of all other senior executives of the Company; (iii) a material change in the geographic location of the primary work facility or location; provided, that a relocation of less than 25 miles from the then-present location will not be considered a material change in geographic location; or (iv) following a "Change in Control," the failure of the Company to obtain the assumption of the material obligations of the Severance Agreement by any successors. Mr. Krishnaswamy may not resign for Good Reason without first providing the Company with written notice of the alleged grounds for Good Reason within 90 days of the initial existence of such alleged grounds and a cure period of 30 days following the date the Company receives such notice during which such condition must not have been cured.

Under the Severance Agreement, a "Change of Control" is defined in the 2021 Plan, and a "Change of Control Period" is the period commencing on the Company's public announcement of a proposed Change of Control and ending on the earlier of (i) the 12 month period following the consummation of the proposed Change of Control, or (ii) the Company's public announcement that the proposed Change of Control will not occur.

Termination of NEO During Change in Control Period

Yoko Miyashita, CEO

Under the CEO Agreement, if Ms. Miyashita incurs a "Qualifying Termination" during a "Change in Control Period," she is entitled to the following: (a) lump sum cash severance payment equal to the sum of (i) 100% of her annual base salary at the time of such termination, plus (ii) her target annual bonus; (b) reimbursement for COBRA premiums, grossed up for income taxation, for coverage up to 12 months; and (c) accelerated vesting of all equity awards in full, and for purposes of determining the number of shares that will vest pursuant to the foregoing with respect to any performance-based equity award, the applicable performance criteria will be deemed to have attained at a 100% level. Ms. Miyashita would have 90 days after such termination to exercise vested, unexercised options, after which they would expire. Payment of severance is subject to Ms. Miyashita's execution and the effectiveness of a release of claims and her resignation from the Board.

Mr. Krishnaswamy, CFO

Under the Severance Agreement, if Mr. Krishnaswamy is terminated by the Company other than for Cause or resigns for Good Reason during a Change of Control Period (as defined in the Severance Agreement), subject to his execution and the effectiveness of a release of claims, he would be entitled to the following: (a) cash severance equal to 50% of his annual base salary in effect on his last day of employment (exclusive of any other compensation), payable over the six months following his termination; (b) reimbursement for COBRA premiums for coverage up to six (6) months, if he were to elect coverage; and (c) accelerated vesting in full of all of his then outstanding, unvested time-based RSU and stock option awards. Mr. Krishnaswamy would have 90 days after such termination to exercise vested, unexercised options, after which they would expire.

Equity Awards for NEOs Other than CEO

Our NEO's unvested Liquidity Event and Milestone Option awards under the 2018 Plan will vest in full if there is a Change in Control, as defined under the 2018 Plan and described above. Any unvested time-based option awards under the 2018 Plan will be forfeited and not vest if there is a termination in connection with a Change in Control. If an NEO, other than our CEO, incurs a termination of service from the Company on or within 6 months of a change in control as defined in the 2021

Plan, any unvested RSU awards under the 2021 Plan will fully vest and be paid in full, with any applicable performance conditions deemed achieved (i) for any completed performance period, based on actual performance, or (ii) for any partial or future performance period, at the greater of the target level or actual performance, in each case as determined by the Committee, unless otherwise provided in the NEO's award agreement.

Compensation Committee Interlocks and Insider Participation

No person who served on the Compensation Committee during the Company's last completed fiscal year was at any time during fiscal year 2023, or at any other time, one of our officers or employees. None of our executive officers has served as a director or member of a compensation committee (or other committee serving an equivalent function) of any entity, one of whose executive officers served as a director of our Board or member of our Compensation Committee. Peter Lee served on the Compensation Committee until March 25, 2024 and served as Merida's President, Chief Financial Officer and Secretary until the closing of the Business Combination, but did not receive compensation for such service, other than reimbursement for out-of-pocket expenses incurred in connection with activities on Merida's behalf.

2023 Director Compensation

The Board determines the form and amount of director compensation after its review of recommendations made by the Compensation Committee. No individual meeting fees are paid for either Board meetings or committee meetings. We pay or reimburse travel and other expenses incurred by our non-employee directors in attending in-person Board meetings. In 2023, our non-employee directors received grants of RSUs in July and December 2023, with the July grants vesting in full in August 2023 and the December grants eligible to vest in full on July 12, 2024, subject to each directors' continued service on the vest date. Effective April 1, 2023, the Board approved increases to the annual cash retainers we paid to our non-employee directors for their Board and committee service (Ms. Miyashita is not compensated for her role on the Board), including a new annual cash retainer for the lead independent director position.

Until April 1, 2023, we paid our non-employee directors based on the following schedule:

- an annual $75,000 cash retainer for the Board chair;
- an annual $45,000 cash retainer for each Board member, other than Board chair;
- an annual cash committee chair retainer for each committee chair (incremental to annual cash retainers for Board chair/members):
  - Audit: $30,000
  - Compensation: $20,000
  - Nominating and Corporate Governance: $15,000
- an annual cash committee member retainer for each committee member (incremental to annual cash retainers for Board chair/members, but not incremental to annual committee chair retainers):
  - Audit: $20,000
  - Compensation: $12,000
  - Nominating and Corporate Governance: $10,000

After April 1, 2023, we paid our non-employee directors based on the following schedule:

- an annual $80,000 cash retainer for the Board chair;
- an annual $50,000 cash retainer for each Board member, other than Board chair;
- an annual $13,000 cash retainer for the Lead Independent Director ("LID");
- an annual cash committee chair retainer for each committee chair (incremental to annual cash retainers for Board chair/members and LID):
  - Audit: $32,500
  - Compensation: $22,500
  - Nominating and Corporate Governance: $17,500

- an annual cash committee member retainer for each committee member (incremental to annual cash retainers for Board chair/members and LID, but not incremental to annual committee chair retainers):
  - o Audit: $22,500
  - o Compensation: $14,500
  - o Nominating and Corporate Governance: $12,500

Compensation for our non-employee directors during fiscal year 2023 was as follows:

Name [1]	Fees Earned or Paid in Cash ($)	Stock Awards [2] ($)	All Other Compensation ($) [3]	Total ($)
Michael Blue	$ 90,625	$ 48,188	$ —	$ 138,813
Cassandra Chandler	87,500	39,451	—	126,951
Blaise Judja-Sato	84,583	39,451	—	124,034
Peter Lee	84,250	42,553	120,000	246,803
Alan Pickerill	94,500	42,553	—	137,053

1. Each of our non-employee directors started their service on our Board on February 4, 2022. Mr. Judja-Sato resigned from the Board effective November 30, 2023. Ms. Chandler resigned from the Board effective December 31, 2023. Mr. Blue resigned from the Board effective March 25, 2024.
2. Amounts in this column represent the grant date fair value of the RSUs granted to our non-employee directors in 2023, calculated in accordance with ASC Topic 718. See Note 13, "*Equity Incentive and Other Plans"* to our consolidated financial statements included in this Annual Report. As of December 31, 2023, each of Messrs. Blue, Lee and Pickerill held 1,498 unvested RSUs.
3. Effective September 1, 2023, the Company entered into a consulting agreement with Mr. Lee for a maximum contract amount of $120,000, under which Mr. Lee provided the company with certain business and corporate development consultancy services.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following tables set forth information about the beneficial ownership of our common stock, that is owned as of March 20, 2024 by:

- each person known to us to be the beneficial owner of more than 5% of outstanding common stock;
- each of our 2023 NEOs and directors; and
- all of our executive officers (our 2023 NEOs) and directors as a group.

We have determined beneficial ownership for the purposes of the following table in accordance with the rules and regulations of the SEC. A person is a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of the security, or "investment power," which includes the power to dispose of or to direct the disposition of the security or has the right to acquire such powers within 60 days. Unless otherwise noted in the footnotes to the following tables, and subject to applicable community property laws, we believe the persons and entities named in the table have sole voting and investment power with respect to their beneficially owned shares of common stock and warrants.

We based our calculation of the percentage of beneficial ownership on 2,301,495 shares of our common stock outstanding as of March 20, 2024. In computing the number of shares of common stock beneficially owned by a person and such person's percentage of ownership of all outstanding shares, we deemed as owned and outstanding for such person those shares of common stock subject to options or warrants that are currently exercisable or exercisable within 60 days of March 20, 2024 and RSUs held by that person that will vest within 60 days of March 20, 2024. We, however, did not deem such shares as outstanding for the purpose of computing the percentage ownership of any other person .

Name of Beneficial Owners [(1)]	Number of Shares of Common Stock Beneficially Owned	% of Outstanding Common Stock
5% Stockholders:		
Michael Blue [(2)]	155,142	6.7%
Executive Officers and Directors of the Company:		
Michael Blue [(2)]	155,142	6.7%
Yoko Miyashita [(3)]	80,706	3.4%
Peter Lee [(4)]	36,466	1.6%
Suresh Krishnaswamy [(5)]	25,332	1.1%
Alan Pickerill	7,710	*
All directors and executive officers as a group (6 individuals) [(6)]	**311,650**	**13.0%**

* Indicates less than 1 percent.

1. Unless otherwise indicated, the business address of each of the individuals is c/o Leafly Holdings, Inc., 113 Cherry St. PMB 88154 Seattle, WA 98104-2205.
2. Includes 25,000 shares of common stock held by Jamestown 2021 Trust, for which JP Morgan Trust Company of Delaware is the trustee, but Mr. Blue exercises voting and investment power.
3. Includes (i) 21,005 shares of common stock, (ii) 49,507 shares of common stock subject to stock options that are fully vested or scheduled to vest within 60 days of March 20, 2024, and (iii) 10,194 shares of common stock issuable upon the vesting of RSUs that are scheduled to vest within 60 days of March 20, 2024.
4. Includes 16,371 shares of common stock issuable on exercise of 327,410 warrants to purchase common stock for $230 per share.

5. Includes (i) 14,866 shares of common stock, (ii) 3,295 shares of common stock subject to stock options that are fully vested or scheduled to vest within 60 days of March 20, 2024, and (iii) 7,171 shares of common stock issuable upon the vesting of RSUs that are scheduled to vest within 60 days of March 20, 2024.

6. Includes (i) 52,802 shares of common stock subject to stock options that are fully vested or scheduled to vest within 60 days of March 20, 2024, (ii) 21,870 shares of common stock subject to RSUs that are scheduled to vest within 60 days of March 20, 2024, and iii) 16,371 common shares issuable on exercise of 327,410 warrants to purchase common stock.

Equity Compensation Plan Information

As of December 31, 2023, Leafly had the following equity compensation plans under which equity securities of the registrant were authorized for issuance:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights [2]	(b) Weighted-average exercise price of outstanding options, warrants and rights [3]	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) [4]
Equity compensation plans approved by security holders [1]	331,373	$ 18.16	366,339
Equity compensation plans not approved by security holders	—	—	—
Total	331,373	$ 18.16	366,339

1. Includes the 2018 Plan, 2021 Plan, 2021 ESPP and Earn-Out Plan.

2. Represents 116,451 and 4,976 shares issuable under outstanding stock options under the 2018 Plan and 2021 Plan, respectively, and 209,946 unvested RSUs and PSUs granted under the 2021 Plan.

3. Weighted-average exercise price is based solely on outstanding stock options; the unvested RSUs and PSUs do not have exercise prices.

4. Represents 20 shares issuable under the 2021 Plan, 35,056 shares issuable under the ESPP, 302,717 shares issuable under the 2018 Plan and 28,546 shares issuable under the Earn-Out Plan, as of December 31, 2023. Annually, during the terms of the 2021 Plan and the ESPP, commencing on January 1, 2023 and ending on (and including) January 1, 2031, the number of shares of common stock available for future issuance under each plan automatically increases in accordance with the terms of the applicable plans, such that (a) the number of shares of common stock under the 2021 Plan automatically increases on each January 1 by the lesser of (i) 10% of the fully diluted shares of common stock outstanding as of the last day of the preceding fiscal year and (ii) 225,124 shares (as may otherwise be adjusted pursuant to the terms of the 2021 Plan); and (b) the number of shares of common stock under the ESPP automatically increases on each January 1 by the lesser of (i) 2.5% of the fully diluted shares of common stock outstanding as of the last day of the preceding fiscal year and (ii) 56,281 shares (as may otherwise be adjusted pursuant to the terms of the ESPP).

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Related Person Transactions Policy

Our Board has adopted a written related person transaction policy setting forth the policies and procedures for the review and approval or ratification of related person transactions. This policy covers, with certain exceptions set forth in Item 404 of Regulation S-K under the Securities Act, any transaction or arrangement, or any series of transactions or arrangements in which the Company (or its direct and indirect subsidiaries and controlled entities) is to be a participant, whether or not the Company is a party, and a related party has a direct or indirect material interest in such transaction (unless clearly incidental in nature or it is determined in accordance with the related person transaction policy that such interest is immaterial in nature such that further review is not warranted), including without limitation sales, purchases or other transfers of real or personal property, use of property and equipment by lease or otherwise, services received or provided, the borrowing and lending of funds, guarantees of loans or other undertakings and the employment by the Company of an immediate family member of a related person or a change in the terms or conditions of employment of such an individual that is material to such individual.

In reviewing and approving any such transactions, the Audit Committee is tasked, in light of the relevant facts and circumstances whether the transaction is in, or not inconsistent with, the best interests of the Company, including, but not limited to, the position or relationship of the related person with the Company, materiality of the transaction, business purpose for and rationale of the transaction, whether the transaction is on terms comparable to those available on an arms-length basis or is on terms that the Company offers generally to persons who are not related persons, whether the transaction is in the ordinary course of business, the effect of the transaction on the Company's business and operations, potential for a conflict of interest, and overall fairness. All such approved transactions must be reviewed and approved or ratified by the Audit Committee, taking into account the foregoing considerations, during the next meeting of the Audit Committee, or sooner if determined to be necessary by the Company's legal counsel.

Related Person Transactions

Merida Related Person Transactions

Sponsor Shares

Concurrently with the execution of the Merger Agreement, Leafly, Merida, and the Sponsor entered into an agreement (the "Sponsor Agreement"), which provided that (a) at the Closing, a number of Sponsor Shares equal to the quotient of (i) the amount by which certain unpaid expenses incurred by or on behalf of Merida (the "Outstanding Merida Expenses") exceed $6.5 million, divided by (ii) $10.00 (such shares, the "Forfeited Shares"), will be forfeited by the Sponsor and canceled by Merida, (b) the parties will enter into an amendment to the existing Stock Escrow Agreement ("Stock Escrow Amendment") providing for the forfeiture and cancellation of the Forfeited Shares and the escrow of all remaining Sponsor Shares until certain earn-out conditions are met, and (c) the Sponsor Shares will be subject to transfer restrictions for a period of 180 days following the completion of the Business Combination.

Concurrently with the execution of the Merger Agreement, Leafly, Merida, and the Sponsor entered into the Stock Escrow Amendment which provides that, following the Closing, after giving effect to the forfeiture of the Forfeited Shares, fifty percent of the remaining Sponsor Shares (the "Net Sponsor Shares") were or will be released from escrow as follows: (a) fifty percent of the Net Sponsor Shares were released from escrow on the Closing Date due to the satisfaction of the Minimum Cash Condition, (b) twenty-five percent of the Net Sponsor Shares will be released from escrow upon the occurrence of the First Price Triggering Event, (c) all of the Sponsor Shares then held in escrow will be released from escrow upon the occurrence of the Second Price Triggering Event, and (d) if a Change of Control that will result in the holders of common stock receiving a per share price equal to or in excess of the applicable per share price required in connection with the First Price Triggering Event or the Second Price Triggering Event occurs at a time when Sponsor Shares are held in escrow, then immediately prior to the consummation of such Change of Control (i) the applicable triggering event that has not previously occurred shall be deemed to have occurred and (ii) the applicable Net Sponsor Shares will be released from escrow. On the business day following the end of the Second Earn-Out Period, all Sponsor Shares not released from escrow will be forfeited and canceled.

Promissory Notes — Related Party

On June 25, 2021, Merida issued an unsecured promissory note in the amount of $400,000 to the Sponsor (the "Promissory Note"), pursuant to which Merida borrowed an aggregate principal amount of $400,000 under the Promissory Note, which was also the largest aggregate amount of principal outstanding under the Promissory Note. The Promissory Note was non-interest bearing and payable prior to the consummation of a Business Combination. The $400,000 that remained outstanding under the Promissory Note prior to the closing of the Business Combination was repaid in connection with the closing of the Business Combination and was no longer outstanding as of December 31, 2023.

On October 13, 2021, Merida issued an unsecured promissory note in the amount of $400,000 to the Sponsor (the "Second Promissory Note"), pursuant to which Merida borrowed an aggregate principal amount of $400,000 under the Second Promissory Note, which was also the largest aggregate amount of principal outstanding under the Second Promissory Note. The Second Promissory Note was non-interest bearing and payable prior to the consummation of a Business Combination. The $400,000 that remained outstanding under the Second Promissory Note prior to the closing of the Business Combination was repaid in connection with the closing of the Business Combination and was no longer outstanding as of December 31, 2023.

Registration Rights

At the closing of the Business Combination, the Company entered into the Amended and Restated Registration Rights Agreement (the "Registration Rights Agreement"), with the registration rights holders. Pursuant to the terms of the Registration Rights Agreement, (a) any (i) outstanding share of common stock or any Private Warrants, and (ii) shares of common stock issued as Earn-Out Shares to shareholders of Legacy Leafly that received shares of common stock in the Business Combination or issuable as Earn-Out Shares pursuant to the Earn-Out Plan and (b) any other equity security of the Company issued or issuable with respect to any such share of common stock by way of a stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization or otherwise, will be entitled to registration rights. Certain of the shareholders of Legacy Leafly that received shares of common stock in the Business Combination that are party to the Registration Rights Agreement, including Ms. Miyashita, our CEO, Michael Blue, our former director and Board chair and a holder of more than 5% of Leafly's common stock, are related parties.

Pursuant to the terms of the Registration Rights Agreement, we previously filed registration statements, registering the resale of the registration rights holders' shares, which is effective. The Sponsor, EBC, and their transferees may demand not more than three demand registrations or shelf underwritten offerings in the aggregate and not more than two demand registrations in any twelve-month period, and the Leafly holders may demand not more than six demand registrations or shelf underwritten offerings in the aggregate and not more than two demand registrations in any twelve-month period, and the Company will not be obligated to participate in more than four demand registrations or shelf underwritten offerings, in any twelve-month period. The Company has borne and will bear the expenses incurred in connection with the filing of any registration statements filed pursuant to the terms of the Registration Rights Agreement.

Other

In June 2021, Brendan Kennedy, an investor who at the time held more than 5% of Leafly's common stock, purchased a convertible promissory note totaling $1,000,000, which bore interest at 8% annually. The note was issued as part of the existing series of 2021 Notes (see Note 9 of Leafly's audited consolidated financial statements) and was subject to the same interest rate, maturity, and conversion terms. This note converted to shares of Leafly common stock in accordance with its terms upon closing of the Business Combination in February 2022, along with the other 2021 Notes, which was then exchanged for merger consideration in the Business Combination.

Director Independence

The rules of the Nasdaq Capital Market ("Nasdaq"), require that a majority of the Company's board of directors be independent. An "independent director" is generally defined under applicable Nasdaq rules as a person other than an officer or employee of the Company or its subsidiaries or any other individual having a relationship which in the opinion of the Board, would interfere with the director's exercise of independent judgment in carrying out the responsibilities of a director. Audit Committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act, and the listing standards of Nasdaq. In addition, members of the Company's Compensation Committee and Nominating and Corporate Governance Committee must satisfy the independence criteria set forth under the listing standards of Nasdaq. In 2023, the Board determined that each of our directors who served as a director in 2023, other than Ms. Miyashita, qualified as an "independent director" under applicable SEC and Nasdaq rules for purposes of serving on the Board and each committee on which they served, as applicable, and our Board consisted of a majority of "independent directors," as defined under the rules of the SEC and Nasdaq listing rules relating to director independence requirements.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees Paid to Independent Registered Public Accounting Firm

Our Audit Committee appointed the firm of Marcum LLP ("Marcum") as the Company's independent registered public accounting firm for our fiscal year ended December 31, 2023. Marcum has been our independent registered public accounting firm since 2019, and Marcum also served as the independent registered public accounting firm of Merida prior to the consummation of the Business Combination. The following table presents fees for professional services rendered by Marcum to us for the years ended December 31, 2023 and 2022, respectively:

	2023	2022
Audit Fees	$ 550,000	$ 574,514
Audit related fees	78,500	60,000
Total fees	$ 628,500	$ 634,514

The audit related fees are related to work performed in connection with registration statements, such as due diligence procedure and issuance of comfort letters.

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee maintains policies and procedures for the pre-approval of work performed by the independent auditors and, pursuant to the Audit Committee charter, all auditor engagements must be approved in advance by the Audit Committee. All fees for 2023 and 2022 were pre-approved by Leafly's Audit Committee pursuant to the Company's prior approval procedures.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(a) The following documents are filed as part of this report:

1. Financial Statements (See *Index to Consolidated Financial Statements* in Item 8. Financial Statements and Supplementary Data, of this Annual Report);
2. The exhibits listed in the "Exhibit Index" attached to this Annual Report.

EXHIBIT INDEX

		Incorporated by Reference			
Exhibit Number	**Exhibit Description**	**Form**	**Period Ending**	**Exhibit**	**Filing Date**
2.1	Agreement and Plan of Merger, dated as of August 9, 2021, by and among Leafly Holdings, Inc., Merida Merger Corp. I, Merida Merger Sub, Inc. and Merida Merger Sub II, LLC.	8-K	2/4/22	2.1	2/10/22
2.2	First Amendment to the Agreement and Plan of Merger, dated as of September 8, 2021, by and among Leafly Holdings, Inc., Merida Merger Corp. I, Merida Merger Sub, Inc. and Merida Merger Sub II, LLC.	8-K	2/4/22	2.2	2/10/22
2.3	Second Amendment to the Agreement and Plan of Merger, dated as of January 11, 2022, by and among Leafly Holdings, Inc., Merida Merger Corp. I, Merida Merger Sub, Inc. and Merida Merger Sub II, LLC.	8-K	2/4/22	2.3	2/10/22
3.1	Second Amended and Restated Certificate of Incorporation of Leafly Holdings, Inc., dated February 4, 2022	10-K	12/31/21	3.1	3/31/22
3.2	Certificate of Amendment to Second Amended and Restated Certificate of Incorporation of Leafly Holdings, Inc.	8-K	9/8/23	3.1	9/11/23
3.3	Amended and Restated Bylaws of Leafly Holdings, Inc., dated February 4, 2022.	8-K	2/4/22	3.2	2/10/22
4.1	Form of Common Stock Certificate of Leafly Holdings, Inc.	8-K	2/4/22	4.1	2/10/22
4.2	Form of Warrant Certificate of Leafly Holdings, Inc.	8-K	2/4/22	4.2	2/10/22
4.3	Warrant Agreement, dated November 4, 2019, by and between Merida Merger Corp. I and Continental Stock Transfer & Trust Company, as warrant agent.	8-K	2/4/22	4.3	2/10/22
4.4	Global Note, dated February 4, 2022 by and between Merida Merger Corp. I, Ankura Trust Company, as agent, and Continental Stock Transfer & Trust Company, as authentication agent.	8-K	2/4/22	4.4	2/10/22
4.5	Notation of Guarantee, dated February 4, 2022, by Leafly Holdings, Inc.	8-K	2/4/22	4.4	2/10/22
4.6	Description of Leafly's securities	10-K	12/31/21	4.6	3/31/22
10.1	Amended and Restated Registration Rights Agreement, dated February 4, 2022, by and among Leafly Holdings, Inc. and certain stockholders of Leafly Holdings, Inc.	8-K	2/4/22	10.1	2/10/22

Exhibit Number		Exhibit Description	Incorporated by Reference Form	Period Ending	Exhibit	Filing Date
10.2		Form of Director and Officer Indemnification Agreement, dated February 4, 2022, by and between Leafly Holdings, Inc. and its directors and officers.	8-K	2/4/22	10.2	2/10/22
10.3		Merida Merger Corp. I Note Purchase Agreement, dated January 11, 2022, by and among Merida Merger Corp. I and the Note Investors party thereto.	8-K	1/6/22	10.1	1/12/22
10.4	+	Leafly Holdings, Inc. Earn-Out Plan	S-4/A	12/9/21	Annex E	12/10/21
10.5	+	The Leafly Holdings, Inc. 2021 Equity Incentive Plan	10-K	12/31/21	10.5	3/31/22
10.6	+	Form of Stock Option Award Agreement, 2021 Equity Incentive Plan	10-K	12/31/22	10.6	3/29/23
10.7	+	Form of Restricted Stock Unit Award Agreement (Directors), 2021 Equity Incentive Plan	10-Q	6/30/23	10.2	8/11/23
10.8	+	Form of Performance Stock Unit Award Agreement, 2021 Equity Incentive Plan	10-Q	6/30/23	10.3	8/11/23
10.9	+	The Leafly Holdings, Inc. 2021 Employee Stock Purchase Plan	10-K	12/31/21	10.6	3/31/22
10.10		Joinder Agreement, dated February 4, 2022, by Leafly LLC.	8-K	2/4/22	10.7	2/10/22
10.11	+	Offer Letter from Leafly Holdings, Inc. to Suresh Krishnaswamy, dated September 13, 2021.	S-4	12/9/21	10.15	12/9/21
10.12	+	Executive Employment Agreement, dated as of February 12, 2021, by and between Leafly Holdings, Inc. and Yoko Miyashita.	S-4	12/9/21	10.17	12/9/21
10.13	+	Option Amendment Agreement, dated as of November 17, 2021, by and between Leafly Holdings, Inc. and Yoko Miyashita.	S-4	12/9/21	10.18	12/9/21
10.14		Stock Escrow Agreement, dated as of November 4, 2019, among Continental Stock Transfer & Trust Company, Merida Merger Corp. I, and Merida Holdings, LLC.	S-4	12/9/21	10.2	12/9/21
10.15		Amendment to the Stock Escrow Agreement, dated as of August 9, 2019, among Continental Stock Transfer & Trust Company, Merida Merger Corp. I, and Merida Holdings, LLC.	S-4	12/9/21	10.3	12/9/21
10.16	+	The Leafly Holdings, Inc. 2018 Equity Incentive Plan	10-K	12/31/21	10.22	3/31/22
10.17	+	Form of Stock Option Agreement, Leafly Holdings, Inc. 2018 Equity Incentive Plan	10-K	12/31/21	10.23	3/31/22
10.18	+	Form of 2022 AIP RSU Agreement	10-K	12/31/22	10.27	3/29/23
10.19		Notice of Conversion and Consent	8-K	12/19/23	10.1	12/21/23
10.20	+	Form of Executive Severance Agreement	10-Q	9/30/23	10.1	11/13/23
10.21	+	Form of Amended and Restated 2022 Performance Stock Unit Award Agreement	10-Q	9/30/23	10.2	11/13/23

Exhibit Number		Exhibit Description	Incorporated by Reference Form	Period Ending	Exhibit	Filing Date
10.22	* +	Offer Letter from Leafly Holdings, Inc. to Nicole Sanchez, dated December 7, 2023.				
10.23	+	Form of Restricted Stock Unit Award Agreement (Employees), 2021 Equity Incentive Plan	10-Q	6/30/23	10.1	8/11/23
21.1	*	Subsidiaries of the Registrant				
23.1	*	Consent of Independent Registered Public Accounting Firm to the incorporation by reference into specified registration statements of its report contained in this Annual Report.				
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				
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				
97.1	*	Incentive Compensation Recovery Policy				
101.INS	***	Inline XBRL Instance Document				
101.SCH	****	Inline XBRL Taxonomy Extension Schema with Embedded Linkbases 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

In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 34-47986, the certifications furnished in Exhibit 32 hereto are deemed to accompany this Form 10-K and will not be deemed "filed" for purposes of Section 18 of the Exchange Act or deemed to be incorporated by reference into any filing under the Exchange Act or the Securities Act except to the extent that the registrant specifically incorporates it by reference.

\+ Management contract or compensation plan or arrangement.

Item 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the 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 April 1, 2024.

Leafly Holdings, Inc.

By: /s/ Yoko Miyashita
Yoko Miyashita
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

	Principal Executive Officer
Date: April 1, 2024	**By:** /s/ Yoko Miyashita Yoko Miyashita Chief Executive Officer, Director
	Principal Financial Officer and Principal Accounting Officer
Date: April 1, 2024	**By:** /s/ Suresh Krishnaswamy Suresh Krishnaswamy Chief Financial Officer Principal Accounting Officer
Date: April 1, 2024	**Directors**
	By: /s/ Yoko Miyashita Yoko Miyashita
	By: /s/ Alan Pickerill Alan Pickerill
	By: /s/ Peter Lee Peter Lee
	By: ________ Andres Nannetti
	By: ________ Jeffrey Monat