

Reed Smith Steers Pot Tech Co.'s \$40M Fund Round

By **Jack Queen**

Law360 (December 10, 2020, 7:54 PM EST) -- Cannabis e-commerce platform LeafLink on Thursday said it closed a \$40 million funding round led by a Peter Thiel-backed venture capital firm in a deal steered by Reed Smith LLP that coincided with a blockbuster transaction by another pot tech company.

LeafLink, a tech-focused marijuana wholesale platform, said the latest round brings its total venture funding to \$90 million and marks the largest cannabis tech investment to date for Founders Fund, a San Francisco-based firm that counts Thiel as a partner.

The deal coincided Thursday with a **\$1.5 billion go-public merger** by online cannabis marketplace Weedmaps, another dominant player in cannabis tech. The dual transactions could set up a battle for market share in cannabis software as the wider industry girds for another round of expansion, Burns & Levinson LLP partner Frank A. Segall told Law360.

"I'm not sure you're going to see anyone else come into that part of the game," said Segall, who was not party to the transactions but works extensively in cannabis deals. "They dominate it. Who would want to try and form a new NFL?"

LeafLink said it plans to use the capital infusion to bring on new brands and retailers in its current markets, expand into newly legalized states and roll out new offerings around payments, delivery, data and analytics. The New York-based company says roughly \$3 billion worth of transactions pass through its platform annually, an estimated 32% of the wholesale market.

"This fundraising round is monumental for a technology company like LeafLink as we continue to define a space that shows no signs of slowing down," LeafLink co-founder and CEO Ryan G. Smith said in a statement.

In a press release, LeafLink cited the U.S. House of Representatives' **passage** of a marijuana legalization measure last week as a sign of forward momentum for the industry. The vote was largely symbolic in the short term, but successful legalization votes in five states last month are a more concrete sign of political tailwinds.

The pot industry is expected to grow to \$100 billion by 2030, according to one estimate cited by LeafLink. Founders Fund partner Napoleon Ta said in a statement that LeafLink's business-to-business sales model makes it an attractive investment target.

"We invested in LeafLink because the team is merging best practices from e-commerce marketplaces with B2B technology to streamline an entire industry's supply chain and operations," he said.

Weedmaps, meanwhile, has taken a divergent tack in both its model and capital structure. The company is largely consumer-facing — connecting buyers with retailers — but also has a software-as-a-service platform for retailers and brands, known as WM Business.

"The fundamental difference is that one is serving customers and providing information, and the other is transaction-based and will have a say-so in picking winners and losers in cannabis going forward," Rick Batenburg III of cannabis venture capital fund Cliintel told Law360, referring to LeafLink's deeper involvement in transactions themselves.

Weedmaps, officially known as WM Holding Co. LLC, is hauling in gross proceeds of \$575 million through its deal with blank-check company Silver Spike Acquisition Corp. That sum includes a \$325 million upsized private investment in a public equity component.

The company plans to use some of its newfound muscle to advocate for further legalization as well as social equity licensing that gives a leg up to owners from communities disproportionately impacted by prohibition, WMH CEO Chris Beals said in a statement Thursday.

--Additional reporting by McCord Pagan. Editing by Ellen Johnson.