

November 2, 2020

Board of Directors  
Leaf Group Ltd.  
1655 26th Street  
Santa Monica, CA 90404

Dear Members of the Board of Directors of Leaf Group:

Please find the below responses to your requested information regarding our proposal to the Board dated October 22, 2020.

1. Question: Your letter does not identify your two proposed directors. For clarity, please provide us with their names and contact information so that our Nominating and Corporate Governance Committee can contact them and obtain the relevant information to consider their candidacy. As we have discussed several times previously, the Nominating and Corporate Governance Committee will put them through the identical process that it has for other potential director candidates.

- Our proposal is to permanently cap the size of the Company's Board of Directors at seven directors. The Board will consist of the current members of the Board, in addition to the two new directors we propose, effective immediately upon a settlement.
- The two directors that we propose are:
  - Mr. Robert Majteles
  - Mr. Michael McConnell

2. Question: Your proposal indicates that the Board would commit to start a Strategic Review process no later than March 31, 2021 unless certain performance targets are met. We assume under your proposal that the foregoing would be publicly disclosed in connection with a settlement. Is this assumption correct? Additionally please provide us with the performance targets that you propose that would result in a Strategic Review process not being initiated.

- A Strategic Review would be undertaken if Leaf Group stock trades under certain quarterly share price targets using a 45-day moving average starting January 1<sup>st</sup>, 2021. If by the dates below, the moving average on the stock is at or below the prices indicated, then the Board will immediately commence a Strategic Review process.

<b>Date</b>	<b>Share Price</b>	<b>Enterprise Value/2022 Revenue Target</b>
3/31/2021	\$9.00	0.91x
6/30/2021	\$9.50	0.96x
9/30/2021	\$10.00	1.02x
12/31/2021	\$10.50	1.07x

- The Board will create a three-person Strategic Review Committee to oversee the process, composed of the two new directors we have proposed, and one current outside director chosen by the Company. The committee will immediately hire outside financial and independent legal advisors to assist in the review.
- Yes, the performance targets would be publicly disclosed in connection with a settlement.

3. Question: Your proposal states that Mr. Moriarty would receive “a meaningful award of new stock options to purchase shares of Leaf Common Stock to further align executive compensation with increases in stockholder value.” Please provide us with specifics on the stock option award you propose to give Mr. Moriarty.

- We will publicly support Mr. Moriarty receiving the following stock award package subsequent to a successful Strategic Review process in which the business is sold in its entirety or in separate transactions for all the Company’s assets by no later than 12/31/2021. The award is forfeited if a successful sale of the whole Company or all of the Company’s assets is not consummated by 12/31/2021.
- Mr. Moriarty would be awarded a bonus grant equaling \$6 million if the Company is sold for \$9.00 per share. Mr. Moriarty would receive a bonus grant equaling 2.00% of the incremental market value increase above \$9.00 per share.
- This proposal assumes the number of fully diluted shares outstanding remains 27,954,000.
- This plan is in addition to Mr. Moriarty’s current compensation plan.
- Please see the below table for examples of a sale at various share prices:

<b>Stock Price Per Share</b>	<b>Incremental Compensation</b>	<b>Cumulative Compensation</b>
\$9	\$6,000,000	\$6,000,000
\$10	\$559,080	\$6,559,080
\$11	\$559,080	\$7,118,160
\$12	\$559,080	\$7,677,240
\$13	\$559,080	\$8,236,320
\$14	\$559,080	\$8,795,400
\$15	\$559,080	\$9,354,480
\$16	\$559,080	\$9,913,560
\$17	\$559,080	\$10,472,640
\$18	\$559,080	\$11,031,720
\$19	\$559,080	\$11,590,800
\$20	\$559,080	\$12,149,880

We respectfully request a call to discuss the details of this proposal with Mr. Moriarty and any other interested outside director on November 4th or 5th. Thank you for your consideration.

Sincerely,

Vic Parker

Fred Harman