

**STEM HOLDINGS, INC.**

**- and -**

**COMPUTERSHARE TRUST COMPANY OF CANADA**

**RIGHTS INDENTURE**

Providing for the Issue of Contingent Value Rights of Stem Holdings, Inc.

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**SCHEDULE "A" – FORM OF RIGHTS CERTIFICATE**

**SCHEDULE "B" – TRANSFER FORM**

**THIS RIGHTS INDENTURE** dated as of January 20, 2017

**BETWEEN:**

**STEM HOLDINGS, INC.,**

a corporation existing under the laws of the State of Nevada  
("Stem")

- AND -

**COMPUTERSHARE TRUST COMPANY OF CANADA,**

a trust company existing under the federal laws of Canada  
(the "Rights Agent")

**WHEREAS:**

- A. All capitalized terms used in these recitals have the meanings ascribed to them in Section 1.1 below;
- B. Stem and Patch have entered into the Acquisition Agreement;
- C. Pursuant to the terms of the Acquisition Agreement and the Plan of Arrangement, Stem proposes to issue up to 43,952,213 Rights;
- D. Each Right shall entitle the Holder to receive, without payment of any further consideration and without further action on the part of the holder thereof, the Deferred Consideration, upon the terms and conditions herein set forth;
- E. Stem is duly authorized to create and issue the Rights to be issued as herein provided;
- F. All things necessary have been done and performed to make the Rights, when issued as provided in this Indenture, legal, valid and binding upon Stem with the benefits of and subject to the terms of this Indenture;
- G. The foregoing recitals are made as representations and statements of fact by Stem and not by the Rights Agent; and
- H. The Rights Agent has agreed to act as the rights agent in respect of the Rights on behalf of the Holders on the terms and conditions herein set forth;

**NOW THEREFORE THIS INDENTURE WITNESSES** that for good and valuable consideration mutually given and received, the receipt and sufficiency of which are hereby acknowledged, it is hereby agreed and declared as follows:

**ARTICLE 1**  
**INTERPRETATION**

**1.1 DEFINITIONS**

In this Indenture, including the recitals and schedules hereto, the following words and phrases shall have the following meanings:

- (a) **"Acquisition Agreement"** means the arrangement agreement between Patch and Stem dated as of November 14, 2016 in respect of the Arrangement, as such agreement may be amended from time to time;
- (b) **"Affiliate"** has the meaning ascribed thereto in the *Securities Act* (Alberta);
- (c) **"Arrangement"** means an arrangement under section 193 of the *Business Corporations Act* (Alberta) on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or any variations to the Plan of Arrangement made in accordance with the terms of the Acquisition Agreement;
- (d) **"Business Day"** means any day, other than Saturday, Sunday or a statutory holiday in the Province of Alberta;
- (e) **"Closing Date"** means the date hereof;
- (f) **"Counsel"** means a barrister or solicitor or firm of barristers or solicitors retained by the Rights Agent or retained or employed by Stem and acceptable to the Rights Agent, acting reasonably;
- (g) **"Deferred Consideration"** means, if Stem or any of its Affiliates, or any of their respective successors or assigns, receives any Patch Note Collection Proceeds, then that number of Stem Shares as is equal to the quotient obtained when dividing (A) the result obtained when the Patch Note Collection Proceeds (if applicable, as converted to United States dollars using the Bank of Canada noon rate for the applicable date) is divided by US\$2.40, by (B) the number of outstanding Rights (with fractions being equal to or greater than 0.5 being rounded up and fractions less than 0.5 being rounded down);
- (h) **"Director"** means a director of Stem and **"Directors"** or **"Board of Directors"** means the board of directors of Stem or, whenever duly empowered, a committee of the board of directors of Stem, and reference to **"action by the directors"** means action by the directors of Stem as a board or action by a committee as a committee;
- (i) **"distributions"** means distributions (payable in cash or in securities, property or assets of equivalent value) declared payable on the Stem Shares;
- (j) **"Extraordinary Resolution"** has the meaning ascribed thereto in Sections 8.12 and 8.15;
- (k) **"Holder"** means a Person for the time being who is the registered holder of a Right;

- (l) **"Holders' Request"** means an instrument signed in one or more counterparts by Holders holding not less than twenty percent (20%) of the Rights issued and outstanding, requesting the Rights Agent to take a certain action or proceeding specified therein;
- (m) **"ITC Determination Date"** has the meaning ascribed thereto in Section 1(c);
- (n) **"Indenture"** or **"this Indenture"** and **"hereto"**, **"herein"**, **"hereby"**, **"hereunder"**, **"hereof"** and similar expressions refer to this instrument and not to any particular Article, Section, clause, subdivision or other portion hereof, and include each instrument supplemental or ancillary hereto or required to implement this instrument;
- (o) **"Patch"** means Patch International Inc.;
- (p) **"Patch Note"** means the promissory note and loan agreement dated November 6, 2015 between Robix Environmental Technologies Inc. as successor to Formation Fluid Management Inc., as borrower, as Patch, as lender;
- (q) **"Patch Note Collection"** means any and all present or future claim, right of action, litigation, arbitration, mediation, collection effort or dispute resolution proceedings or effort of any kind of Stem or any of its Affiliates, or their respective successors or assigns, relating to the collection of any and all amounts owing under the Patch Note in full and final payment thereof;
- (r) **"Patch Note Collection Proceeds"** means all present and future value, order, award, entitlement or remuneration of any kind and in any form, including any property, assets, cash or other form of payment in each case paid, payable, recovered, owing to, due to, awarded to, ordered or otherwise ordered to be received by Stem or any of its Affiliates, or their respective successors or assigns pursuant to any settlement, award, order, entitlement, collection, judgement, sale, disposition, agreement or any other monetization of any kind of the Patch Note or relating to the Patch Note Collection;
- (s) **"Payment Date"** means up to 30 days (as determined by Stem) after receipt by Stem of any Patch Note Collection Proceeds;
- (t) **"Person"** includes any individual, corporation, company, partnership, association, joint venture, trust, unincorporated association, government or governmental authority;
- (u) **"Plan of Arrangement"** means the plan of arrangement attached as Appendix D to the management information circular and proxy statement of Patch dated December 16, 2016;
- (v) **"Regulatory Authorities"** means securities regulatory authorities in Canada, the United States and/or a jurisdiction outside Canada and the United States where a Holder is resident;
- (w) **"Rights"** mean the contingent value rights issued and certified hereunder and for the time being outstanding, entitling Holders thereof to receive Stem Shares, in accordance with the terms hereof, and **"Right"** means any one of them;

- (x) **"Rights Agency"** means the transfer office of the Rights Agent in Calgary, Alberta and such other locations as Stem may designate, with the approval of the Rights Agent;
- (y) **"Rights Agent"** means Computershare Trust Company of Canada or its successor or successors for the time being as rights agent hereunder, at its offices in Calgary, Alberta;
- (z) **"Rights Certificate"** means a certificate in substantially the form set out in Schedule "A" hereto, issued and certified hereunder to evidence one or more Rights;
- (aa) **"Stem Shares"** means the shares in the common stock in the share capital of Stem;
- (bb) **"Successor Entity"** has the meaning ascribed thereto in Section 7.1;
- (cc) **"Termination Date"** means the date that Stem fully pays to the Holders all Deferred Consideration to which such holders are entitled, provided that the Termination Date shall occur no later than the fifth (5<sup>th</sup>) anniversary of the date hereof, at which date it shall be deemed, in any event, to have occurred;
- (dd) **"United States"** means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia;
- (ee) **"U.S. Person"** means a "U.S. person" as that term is defined in Rule 902(k) of Regulation S of the U.S. Securities Act;
- (ff) **"U.S. Securities Act"** means the *United States Securities Act of 1933*, as amended;
- (gg) **"U.S. Securities Exchange Act"** means the *United States Securities Exchange Act of 1934*;
- (hh) **"written request of Stem"** and **"certificate of Stem"** mean, respectively, a written order, request, consent and certificate signed in the name of Stem by any one or more of the officers or Directors of Stem and may consist of one or more instruments so executed and any other documents referred to herein which is required or contemplated to be provided or given by Stem is a document signed on behalf of Stem by any one or more of such officers or Directors;

and a derivative of any defined word or phrase has the meaning appropriate to the derivation of the word or phrase.

## 1.2 MEANING OF "OUTSTANDING" FOR CERTAIN PURPOSES

Except as provided in Section 3.4, every Rights Certificate countersigned and delivered by the Rights Agent under this Indenture shall be deemed to be outstanding until the Termination Date, provided however that where a Rights Certificate has been issued in substitution for a Rights Certificate that has been lost, stolen or destroyed, only one of them shall be counted for the purpose of determining the Rights outstanding.



### 1.3 CERTAIN RULES OF INTERPRETATION

Unless otherwise specified in this Indenture:

- (a) words importing the singular number include the plural and *vice versa*;
- (b) words importing gender include both genders and *vice versa* and words importing individuals include firms and corporations and *vice versa*;
- (c) "**in writing**" or "**written**" includes printing, typewriting or any electronic means of communication capable of being visibly reproduced at the point of reception, including facsimile;
- (d) "**including**" is used for illustration only and not to limit the generality of any preceding words, whether or not non-limiting language (such as, "**without limitation**", "**but not limited to**" and similar expressions) is used with reference thereto; and
- (e) reference to any statute, regulation or by-law includes amendments, consolidations, re-enactments and replacements thereof and instruments and legislation thereunder.

### 1.4 INTERPRETATION NOT AFFECTED BY HEADINGS, ETC.

The division of this Indenture into Articles, Sections and other subdivisions, the inclusion of a table of contents and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Indenture.

### 1.5 APPLICABLE LAW

This Indenture, the Rights and the Rights Certificates shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein. Any and all disputes arising under this Indenture, the Rights and the Rights Certificates, whether as to interpretation, performance or otherwise, shall be subject to the non-exclusive jurisdiction of the courts of the Province of Alberta and each of the parties hereto irrevocably attorns to the jurisdiction of the courts of such province.

### 1.6 DAY NOT A BUSINESS DAY

Whenever any payment is due or required to be made or any other action is required to be taken under this Indenture or the Rights Certificates on or as of a day that is not a Business Day, that payment must be made and the other action must be taken on or as of the next day that is a Business Day.

### 1.7 CONFLICT

In the event of a conflict or inconsistency between a provision of this Indenture and in the Rights Certificates issued hereunder, the relevant provision in this Indenture shall prevail to the extent of the inconsistency.

## **1.8 TIME OF THE ESSENCE**

Time shall be of the essence of this Indenture, the Rights and the Rights Certificates.

## **1.9 CURRENCY**

Except as otherwise stated, all dollar amounts herein are expressed in Canadian dollars.

## **1.10 SCHEDULES**

Schedules "A" and "B" to this Indenture are incorporated into this Indenture by reference.

## **ARTICLE 2 ISSUE OF RIGHTS**

### **2.1 CREATION AND ISSUE OF RIGHTS**

- (a) Stem hereby creates and authorizes the issue of Rights, with the aggregate number of Rights to be issued not to exceed 43,952,213 Rights, in accordance with the Plan of Arrangement.
- (b) The Rights Agent is hereby appointed rights agent in respect of the Rights.
- (c) Pursuant to the Plan of Arrangement, to the extent that a registered holder of shares of Patch who has validly exercised dissent rights in connection with the Arrangement is ultimately deemed to have participated in the Arrangement on the same basis as a non-dissenting holder of shares of Patch, Stem shall cause the Rights Agent to forward the Rights to such holder, as set out in the Plan of Arrangement and upon the Written Request of Stem.

### **2.2 TERMS OF RIGHTS**

- (a) Each Right shall entitle the Holder to any Deferred Consideration, subject to Section 2.2(d) and less any applicable withholding taxes in accordance with Section 12.5.
- (b) The amount of Deferred Consideration to which a Holder may be entitled to pursuant to the Rights will be increased for income tax credits provisioned against but not assessed by tax authorities on the earlier of (i) after audit or (ii) the expiry of assessment period under applicable tax legislation (the "**ITC Determination Date**"). Payment of such additional consideration will be made on the earliest Payment Date to occur after the ITC Determination Date.
- (c) Stem shall remit any Deferred Consideration accruing to the holder of a Right on or before the applicable Payment Date, in accordance with Section 3.2.
- (d) The amount of Deferred Consideration remitted by Stem to holders of Rights shall be net of all reasonable costs incurred by Stem in so doing (including, but not limited to, set-up and annual costs of the Rights Agent and costs of mailing Stem Shares representing the Deferred Consideration to holders of Rights).

- (e) All Rights shall rank *pari passu*, whatever may be the actual date of issue thereof.
- (f) The Rights shall terminate in accordance with the provisions of Section 3.4 and the Plan of Arrangement.

### **2.3 RIGHTS CERTIFICATES**

- (a) The Rights Certificates to be issued to evidence the Rights authorized for issuance pursuant to Section 2.1 shall be issuable in registered form only and shall be substantially in the form set out in Schedule "A".
- (b) All Rights Certificates shall be dated as of the date of their issuance, and shall bear such distinguishing letters and numbers as Stem may, with the approval of the Rights Agent, prescribe, and shall be issuable in any denomination, excluding fractions.
- (c) Rights Certificates shall continue to be in the form set out in Schedule "A" and shall continue to express the Deferred Consideration deliverable thereunder.
- (d) The parties hereto understand, acknowledge and agree that the Rights will be "restricted securities" as defined in Rule 144(a)(3) promulgated under the U.S. Securities Act and will not be represented by certificates that bear a U.S. restricted legend or identified by a restricted CUSIP number for United States securities law purposes and such Rights shall be sold or otherwise transferred, directly or indirectly, only (i) to the Corporation, or (ii) in accordance with Rule 904 of Regulation S under the U.S. Securities Act, and in each case in compliance with applicable securities laws of the United States and foreign laws. All Stem Shares issued pursuant to the Rights shall bear the following legend:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAWS AND NEITHER SUCH SECURITIES NOR ANY INTEREST THEREIN MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR OTHERWISE TRANSFERRED EXCEPT (1) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS OR (2) PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, IN WHICH CASE THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE COMPANY AN OPINION OF COUNSEL, WHICH COUNSEL AND OPINION ARE REASONABLY SATISFACTORY TO THE COMPANY, THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED, ASSIGNED OR OTHERWISE TRANSFERRED IN THE MANNER CONTEMPLATED PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

### **2.4 SIGNING OF RIGHTS CERTIFICATES**

The Rights Certificates shall be signed by any Director or officer of Stem. The signature of such signing officer may be mechanically reproduced in facsimile or electronically and Rights Certificates bearing such facsimile or electronic signature shall be binding upon Stem as if they had been

manually signed by such signing officer. Notwithstanding that any individual whose manual, facsimile or electronic signature appears on any Rights Certificate as a signing officer may no longer hold office or a trusteeship, as applicable, at the date of issue of such Rights Certificate or at the date of certification or delivery thereof, any Rights Certificate signed as aforesaid shall, subject to Section 2.5, be valid and binding upon Stem and the Holder thereof shall be entitled to the benefits of this Indenture.

## **2.5 CERTIFICATION BY THE RIGHTS AGENT**

- (a) Rights Certificates evidencing the Rights shall be certified by or on behalf of the Rights Agent on written direction of Stem.
- (b) No Rights Certificate shall be issued or, if issued, shall be valid for any purpose or entitle the Holder to the benefit hereof until it has been certified by manual signature by or on behalf of the Rights Agent substantially in the form of the certificate set out in Schedule "A", and such certification by the Rights Agent upon any Rights Certificate shall be conclusive evidence as against Stem that the Rights Certificate so certified has been duly issued hereunder and that the Holder is entitled to the benefits hereof.
- (c) The certification of the Rights Agent on Rights Certificates issued hereunder shall not be construed as a representation or warranty by the Rights Agent as to the validity of this Indenture or the Rights Certificates (except the due certification thereof) and the Rights Agent shall in no respect be liable or answerable for the use made of the Rights Certificates or any of them or of the consideration therefor except as otherwise specified herein.

## **2.6 HOLDER NOT A SHAREHOLDER**

Nothing in this Indenture or in the holding of a Right itself evidenced by a Rights Certificate, or otherwise, shall be construed as conferring upon a Holder any right or interest whatsoever as a shareholder of Stem, including, but not limited to, the right to vote at, to receive notice of, or to attend, meetings of shareholders or any other proceedings of Stem, or the right to receive distributions and other distributions, except as may be provided herein or in the Rights Certificates.

## **2.7 ISSUE IN SUBSTITUTION FOR LOST RIGHTS CERTIFICATE**

- (a) If any of the Rights Certificates shall become mutilated or lost, destroyed or stolen, Stem, subject to applicable law and to Subsection 2.7(b), shall issue and thereupon the Rights Agent shall certify and deliver a new Rights Certificate of like date and tenor as the one mutilated, lost, destroyed or stolen upon surrender and in place of and upon cancellation of such mutilated Rights Certificate, or in lieu of and in substitution for such lost, destroyed or stolen Rights Certificate, and the substituted Rights Certificate shall be in a form approved by the Rights Agent and shall be entitled to the benefits hereof and shall rank equally in accordance with its terms with all other Rights Certificates issued or to be issued hereunder.
- (b) The applicant for the issue of a new Rights Certificate pursuant to this Section 2.7 shall bear the cost of the issue thereof and in case of loss, destruction or theft shall, as a condition precedent to the issue thereof, furnish to Stem and to the Rights Agent

evidence of ownership and of the loss, destruction or theft of the Rights Certificate so lost, destroyed or stolen satisfactory to Stem and to the Rights Agent in their sole discretion, in each case acting reasonably, and such applicant may also be required to furnish an indemnity or surety bond in amount and form satisfactory to Stem and the Rights Agent in their sole discretion, in each case acting reasonably, and shall pay the reasonable charges of Stem and the Rights Agent in connection therewith.

## **2.8 REGISTER FOR RIGHTS**

Stem shall cause to be kept by and at the Rights Agency which is the transfer office of the Rights Agent in Calgary, Alberta and in such other place or places as Stem with the approval of the Rights Agent may designate, a securities register in which shall be entered the names and addresses of Holders and the other particulars, prescribed by law, of the Rights held by them. Stem shall also cause to be kept by and at such office the register of transfers, and may also cause to be kept by the Rights Agent or such other registrar or registrars and at such other place or places as Stem may designate with the approval of the Rights Agent, branch registers of transfers (including, without limitation, branch registers of transfers at each of the other Rights Agencies) in which shall be recorded the particulars of the transfers of Rights registered in that branch register of transfers.

## **2.9 TRANSFER OF RIGHTS**

- (a) The Rights may be transferred, after the transfer form attached to the Rights Certificate is duly completed and the Rights Certificate and transfer form are lodged with the Rights Agent and upon compliance with all other conditions in that regard required by this Indenture and by all applicable securities laws and requirements of Regulatory Authorities.
- (b) Subject to Sections 2.8 and 2.9(c) and such reasonable requirements as the Rights Agent may prescribe and all applicable securities laws and requirements of Regulatory Authorities, the Rights may be transferred on the register kept at the Rights Agency by the Holder or its legal representatives or its attorney duly appointed by an instrument in writing in form and manner of execution satisfactory to the Rights Agent only upon the surrendering of the relevant Rights Certificate with the transfer form forming part thereof duly completed and signed. After receiving the surrendered Rights Certificate and upon the Holder surrendering the same meeting the requirements set forth above, the Rights Agent shall issue to the transferee a Rights Certificate representing the Rights transferred.
- (c) No transfer of a Right shall be effective or shall be entered on the register kept by the Rights Agent unless the transferee thereof certifies in writing to Stem's satisfaction that:
  - (i) the Rights may be transferred in the manner contemplated pursuant to an applicable exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws; or
  - (ii) (A) it is not a U.S. Person, (B) at the time of transfer it is not within the United States; and (C) it is not acquiring such Right for the account or benefit of a U.S. Person or a Person within the United States.

The transferee shall also be required to acknowledge that it shall notify Stem prior to the Termination Date if the representations, warranties and certifications contained in the transfer form attached to the Rights Certificate, as applicable, are no longer true and correct.

- (d) No transfer of a Right shall be valid:
  - (i) unless made in accordance with the provisions hereof;
  - (ii) until, upon compliance with such reasonable requirements as the Rights Agent may prescribe, such transfer is recorded on the register maintained by the Rights Agent pursuant to Subsection 2.9(a); and
  - (iii) until all governmental or other charges arising by reason of such transfer have been paid.
- (e) The Rights Agent will promptly advise Stem of any requested transfer of the Rights. Stem will be entitled, and may direct the Rights Agent, to refuse to recognize any transfer, or enter the name of any transferee, of any Rights on the register kept by the Rights Agent, if such transfer would constitute a violation of the securities laws of any jurisdiction or the rules, regulations or policies or any regulatory authority having jurisdiction.
- (f) The transfer register for the Rights shall be closed as of the close on business on the last Business Day immediately preceding the Termination Date.

## **2.10 TRANSFEREE ENTITLED TO REGISTRATION**

The transferee of a Right in accordance with Sections 2.8 and 2.9 shall, after the transfer form attached to the Rights Certificate is duly completed and the Rights Certificate and transfer form are lodged with the Rights Agent, and upon compliance with all other conditions in that regard required by this Indenture and by all applicable securities laws and requirements of Regulatory Authorities, be entitled to have its name entered on the register as the owner of such Right free from all equities or rights of set-off or counterclaim between Stem and its transferor or any previous Holder of such Right, save in respect of equities of which Stem or the transferee is required to take notice by statute or by order of a court of competent jurisdiction.

No duty shall rest with the Rights Agent to determine compliance of the transferee or transferor of any Rights with applicable securities laws. The Rights Agent may assume for the purposes of this Indenture that the address on the register of Holders of any Holder is the actual address of such Holder and is also determinative of the residence of such Holder and that the address of any transferee to whom any Rights or other securities deliverable in connection with any Rights are to be registered, as shown on the transfer document, is the actual address of the transferee and is also determinative of the residency of the transferee.

## **2.11 REGISTERS OPEN FOR INSPECTION**

The registers hereinbefore referred to shall be open at all reasonable times and upon reasonable notice for inspection by Stem, the Rights Agent or any Holder. The Rights Agent shall, from time to time when requested to do so in writing by Stem, furnish Stem, upon payment of the Rights Agent's reasonable

charges, with a list of the names and addresses of Holders of Rights entered in the register kept by the Rights Agent and showing the number of Rights held by each such Holder.

## **2.12 OWNERSHIP OF RIGHTS**

- (a) Stem and the Rights Agent may deem and treat the registered Holder of any Rights Certificate as the absolute owner of the Right represented thereby for all purposes and Stem and the Rights Agent shall not be affected by any notice or knowledge to the contrary, except where Stem or the Rights Agent is required to take notice by statute or by order of a court of competent jurisdiction. For greater certainty, subject to applicable law, neither Stem nor the Rights Agent shall be bound to take notice of or see to the execution of any trust, whether express, implied or constructive, in respect of any Right, and may transfer any Right in accordance with Section 2.9 on the direction of the Person registered as Holder thereof, whether named as rights agent or otherwise, as though that Person were the beneficial owner thereof.
- (b) Subject to the provisions of this Indenture and applicable law, each Holder shall be entitled to the rights and privileges attaching to the Rights held thereby.

## **2.13 EXCHANGE OF RIGHTS CERTIFICATES**

- (a) Rights Certificates, representing Rights entitling the Holders to receive Deferred Consideration may, prior to the Termination Date and upon compliance with the reasonable requirements of the Rights Agent, be exchanged for another Rights Certificate or Rights Certificates entitling the Holder thereof to receive any Deferred Consideration payable under the Rights Certificate or Rights Certificates so exchanged of equal aggregate amount.
- (b) Rights Certificates may be exchanged only at the Rights Agency or at any other place that is designated by Stem with the approval of the Rights Agent. Any Rights Certificates tendered for exchange shall be surrendered to the Rights Agent and shall be cancelled.
- (c) Except as otherwise herein provided, the Rights Agent shall charge to the Holder requesting an exchange a reasonable sum for each new Rights Certificate issued in exchange for a surrendered Rights Certificate(s); and payment of such charges and reimbursement to the Rights Agent or Stem for any and all taxes or governmental or other charges required to be paid shall be made by such Holder as a condition precedent to such exchange.

## **2.14 PRINCIPAL OFFICE**

If the principal transfer office of the Rights Agent in the city where the Rights Agency is situated is for any reason not available to act in connection with the exchange of Rights Certificates as contemplated by this Indenture, Stem and the Rights Agent shall arrange for another office in such city to act in connection with the exchange of Rights Certificates and shall give notice of the change of such office to the Holders.

**ARTICLE 3**  
**TERMINATION DATE**

**3.1 METHOD OF DELIVERY OF DEFERRED CONSIDERATION**

At least three Business Days prior to any Payment Date determined by Stem in accordance with the terms of this Agreement, Stem shall provide the Rights Agent with a written notice setting out the Payment Date, the amount of Deferred Consideration to be issued to the Holders with a detailed description of the calculation thereof in accordance with Section 3.2 and the amount, if any, remaining outstanding under the Patch Note after the Payment Date and still subject to Patch Note Collection efforts. Stem shall concurrently issue a press release publicly disclosing such information.

**3.2 PAYMENT MECHANISM**

Stem or its registrar and transfer agent shall cause to be mailed to the address of the Holder of the Rights last appearing on the register of Holders maintained by the Rights Agent pursuant to Section 2.8, Stem Shares in the name of such Holder representing the Deferred Consideration issuable to the Holder, as fully paid and non-assessable shares, in accordance with Section 2.2, if and when necessary.

**3.3 CANCELLATION OF RIGHTS**

At the Termination Date, all Rights Certificates shall be cancelled.

**3.4 RIGHTS VOID**

The Rights shall, as at the Termination Date, be null, void and of no effect.

**3.5 ACCOUNTING AND RECORDING**

Stem shall cause its registrar and transfer agent to account to the Rights Agent with respect to the issuance of the Stem Shares as soon as reasonably practicable upon such issuance. Such accounting will include the particulars of the issuance of Stem Shares pursuant to the Rights, including the names and addresses of the Persons who become holders of Stem Shares pursuant to the Rights and the certificate numbers. The Right Agent shall rely, and shall be protected in so doing, upon the certificate of Stem or of its registrar and transfer agent and any other document filed by Stem pursuant to this section for all purposes.

Any instruments, from time to time received by the Rights Agent, shall be received in trust for, and shall be segregated and kept apart by the Rights Agent in trust for, Stem.

**ARTICLE 4**  
**COVENANTS OF STEM**

**4.1 MAINTENANCE**

So long as any Rights are outstanding, Stem shall use its commercially reasonable efforts to at all times maintain its existence, carry on and conduct its business, and that of its material subsidiaries, in accordance with good business practice.



#### **4.2 CONTINUE PATCH NOTE COLLECTION**

Stem covenants that it shall use its commercially reasonable efforts to: (a) collect the amount receivable under the Patch Note and (b) protect the rights of Stem to receive the Patch Note Collection Proceeds, and covenants not to waive, modify or change any of the terms of the Patch Note or enter into any agreement with respect to the Patch Note that may affect the rights of Holders to receive the Deferred Consideration. For greater certainty, Stem shall have the right to compromise and to waive, modify or change any of the terms of the Patch Note or enter into any agreement with respect to the Patch Note if in the reasonable business judgment of the Directors such action is in the best interests of the Holders.

#### **4.3 TO PAY RIGHTS AGENT REMUNERATION AND EXPENSES**

Stem covenants that it shall pay to the Rights Agent from time to time reasonable remuneration for its services hereunder and shall pay or reimburse the Rights Agent upon its request for all reasonable expenses, disbursements and advances incurred or made by the Rights Agent in the administration or execution of its duties hereunder (including the reasonable compensation and the disbursements of its Counsel and all other advisors and assistants not regularly in its employ) both before any default hereunder and thereafter until all duties of the Rights Agent hereunder shall be finally and fully performed and even after the termination of this Indenture, except any such expenses, disbursement or advance as may arise out of or result from the Rights Agent's gross negligence, wilful misconduct or bad faith. Such remuneration which shall remain unpaid for a period of 30 Business Days after invoicing shall incur interest at the rate then charged by the Rights Agent to its corporate clients. The Rights Agent shall not have any recourse against the securities or any other property held by it pursuant to this Indenture for payment of its fees. This Section 4.3 shall survive the resignation or removal of the Rights Agent and the termination and discharge of this Indenture. The Rights Agent shall have no obligation to take any action under this Indenture so long as any payment remains due to the Rights Agent for any reasonable fees, expenses and disbursements.

#### **4.4 TO PERFORM COVENANTS**

Stem shall perform and carry out all of the acts or things to be done by it as provided in this Indenture and shall promptly advise the Rights Agent in writing of any material default by Stem in the performance of its covenants hereunder.

#### **4.5 RIGHTS AGENT MAY PERFORM COVENANTS**

If Stem fails to perform any of its covenants contained in this Indenture, the Rights Agent, upon receipt of written notice from Stem of such failure to perform, shall notify the Holders of such failure on the part of Stem or may itself perform any of the covenants capable of being performed by it but, subject to ARTICLE 10, shall be under no obligation to perform said covenants or to notify the Holders that it is doing so. All sums expended or advanced by the Rights Agent in so doing shall be repayable as provided in Section 4.3, but the Rights Agent shall not be required to expend or risk its own funds. No such performance, expenditure or advance by the Rights Agent shall relieve Stem of any default hereunder or of its continuing obligations under the covenants herein contained.

#### **4.6 CREATION AND ISSUE OF THE RIGHTS**

Stem is duly authorized to create and issue the Rights and, the Rights, when issued and countersigned as herein provided, shall be valid and enforceable against Stem and, subject to the provisions of this

Indenture, Stem shall cause the Stem Shares to be issued pursuant to ARTICLE 3 under this Indenture and cause the certificates representing such Stem Shares to be duly issued and delivered in accordance with the Right Certificates and the terms hereof. At all times prior to and as at the Termination Date, while any of the Rights are outstanding, Stem shall reserve and there shall be conditionally allotted but unissued out of its authorized capital that number of Stem Shares sufficient to enable Stem to meet its obligations hereunder. All Stem Shares issued pursuant to the Rights shall be issued as fully paid and non-assessable. Stem shall make all requisite filings, and pay all applicable fees, under applicable securities laws to report the issuance of Stem Shares pursuant to the Rights.

**ARTICLE 5**  
**ROLE OF RIGHTS AGENT**

**5.1     ROLE AS RIGHTS AGENT**

The Rights Agent accepts its duties and responsibilities under this Indenture solely as a custodian, bailee and agent, and no trust is intended to be, or is or shall be, created hereby and the Rights Agent shall owe no duty hereunder as a trustee.

**ARTICLE 6**  
**ENFORCEMENT**

**6.1     SUITS BY HOLDERS OF RIGHTS**

Subject to Section 8.11, all or any of the rights conferred upon any Holder by any of the terms of the Rights Certificates or this Indenture may be enforced by the Holder by appropriate legal proceedings but without prejudice to the right which is hereby conferred upon the Rights Agent to proceed in its own name to enforce each and all of the provisions herein contained for the benefit of the Holders.

**6.2     WAIVER OF DEFAULT**

Upon the happening of any default hereunder the Holders of not less than 51% of the Rights then outstanding shall have the power (in addition to the powers exercisable by Extraordinary Resolution) by requisition in writing to instruct the Rights Agent to waive any default hereunder and the Rights Agent shall thereupon waive the default upon such terms and conditions as shall be prescribed in such requisition, provided that no delay or omission of the Rights Agent or of the Holders, as applicable, to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein and provided further that no act or omission either of the Rights Agent or the Holders in the premises shall extend to or be taken in any manner whatsoever to affect any subsequent default hereunder or the rights resulting therefrom.

**ARTICLE 7**  
**SUCCESSOR ENTITIES**

**7.1     CERTAIN REQUIREMENTS**

Prior to the Termination Date, Stem shall not, directly or indirectly, sell, transfer or otherwise dispose of all or substantially all of its property and assets as an entirety to any other corporation and shall not amalgamate or merge with or into any other entity (any such other entity being herein referred to as a "Successor Entity") unless:

- (a) the Successor Entity executes, before or contemporaneously with the consummation of any such transaction, an indenture supplemental hereto together with such other instruments as are satisfactory to the Rights Agent and in the opinion of Counsel are necessary or advisable to evidence the assumption by the Successor Entity of the due and punctual observance and performance of all the covenants and obligations of Stem under this Indenture; and
- (b) such transaction shall be to the satisfaction of the Rights Agent, acting reasonably, and in the opinion of Counsel, be upon such terms so as to substantially preserve and not impair in any material respect the rights and powers of the Rights Agent or of the Holders hereunder.

## **7.2 VESTING OF POWERS IN SUCCESSOR ENTITY**

Whenever the conditions of Section 7.1 have been duly observed and performed, the Successor Entity shall possess and from time to time may exercise each and every right and power of Stem under this Indenture in the name of Stem or otherwise and any act or proceeding by any provision of this Indenture required to be done or performed by any Directors or officers of Stem may be done and performed with like force and effect by the Directors or officers of such Successor Entity.

## **ARTICLE 8** **MEETINGS OF HOLDERS OF RIGHTS**

### **8.1 RIGHT TO CONVENE MEETING**

The Rights Agent may at any time and from time to time and shall on receipt of a written request of Stem or a Holders' Request and upon being indemnified and funded to its reasonable satisfaction by Stem or by the Holders signing such request against the costs which may be incurred in connection with the calling and holding of such meeting, convene a meeting of the Holders. In the event of the Rights Agent failing, within seven days after receipt of any such request and such indemnity and funding, to give notice convening a meeting, Stem or such Holders, as the case may be, may convene such meeting. Every such meeting shall be held in Calgary, Alberta or at such other place as may be approved or determined by the Rights Agent and Stem, each acting reasonably.

### **8.2 NOTICE OF MEETINGS**

At least 21 days' notice of any meeting of the Holders shall be given to the Holders in the manner provided in ARTICLE 9 and a copy thereof must be sent to the Rights Agent unless the meeting has been called by it and to Stem unless the meeting has been called by it. Such notice must state the time when and the place where the meeting is to be held and state briefly the general nature of the business to be transacted thereat and it shall not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Article.

### **8.3 CHAIRMAN**

An individual (who need not be a Holder) designated in writing by the Rights Agent, shall be the chairman of the meeting and if no individual is so designated, or if the individual so designated is not present within 15 minutes from the time fixed for the holding of the meeting, the Holders present in Person or by proxy shall choose an individual present to be chairman.

#### **8.4 QUORUM**

Subject to Section 8.12, at any meeting of the Holders a quorum shall consist of Holders present in Person or by proxy and holding at least 10% of the aggregate number of then outstanding Rights, provided that at least two Persons entitled to vote thereat are personally present or represented by proxy. If a quorum is not present within 30 minutes from the time fixed for holding any meeting, the meeting, if summoned by the Holders or pursuant to a Holders' Request, shall be dissolved; but in any other case the meeting shall be adjourned to the same day in the next week (unless such day is not a Business Day in which case it shall be adjourned to the next following Business Day) at the same time and place and no notice shall be required to be given in respect of such adjourned meeting. At the adjourned meeting the Holders present in Person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened notwithstanding that they may not hold at least 10% of the then outstanding Rights.

#### **8.5 POWER TO ADJOURN**

The chairman of any meeting at which a quorum is present may with the consent of the meeting adjourn any such meeting and no notice of such adjournment need be given except such notice, if any, as the meeting may prescribe.

#### **8.6 SHOW OF HANDS**

Every question submitted to a meeting shall be decided in the first place by a majority of the votes given on a show of hands except that votes on Extraordinary Resolutions shall be given in the manner hereinafter provided. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact.

#### **8.7 POLL**

On every Extraordinary Resolution, and on any other question submitted to a meeting when demanded by the chairman or by one or more Holders and/or proxies for Holders, a poll must be taken in such manner and either at once or after an adjournment, as the chairman directs. Questions other than Extraordinary Resolutions shall, if a poll is taken, be decided by a majority of the votes cast on the poll.

#### **8.8 VOTING**

On a show of hands, every Person who is present and entitled to vote, whether as a Holder or as proxy for one or more Holders or both, shall have one vote. On a poll, each Holder present in Person or represented by a proxy duly appointed by an instrument in writing shall be entitled to one vote in respect of each Right or Rights held or represented by that Person. A proxy need not be a Holder. In the case of joint Holders of a Right, any one of them present in person or by proxy at the meeting may vote in the absence of the other or others; but in case more than one of them is present in person or by proxy, they must vote together in respect of the Rights of which they are joint Holders. The chairman of any meeting shall be entitled, both on a show of hands and on a poll, to vote in respect of any Rights held or represented by him, but shall not have a second or deciding vote.

## **8.9 REGULATIONS**

- (a) The Rights Agent or Stem with the approval of the Rights Agent, may from time to time make or vary or restate such regulations as it shall from time to time think fit regarding the following:
  - (i) providing for and governing the voting by proxy by Holders and the form of instrument appointing proxies and the manner in which the same shall be executed, and for the production of the authority of any Person signing on behalf of the giver of such proxy;
  - (ii) for the deposit of instruments appointing proxies at such place as the Rights Agent, Stem or the Holders convening the meeting, as the case may be, may, in the notice convening the meeting, direct and the time, if any, before the holding of the meeting or any adjournment thereof by which the same must be deposited;
  - (iii) for the deposit of instruments appointing proxies at some approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be mailed, telecopied or sent by facsimile before the meeting to Stem or to the Rights Agent at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting; and
  - (iv) generally, the calling of meetings of Holders and the conduct of business thereat.
- (b) Any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. Except as such regulations may provide, the only Persons who shall be recognized at any meeting as Holders, or as entitled to vote or be present at the meeting in respect thereof (subject to Section 8.10), shall be Holders and Persons whom Holders have by instrument in writing duly appointed as their proxies.

## **8.10 STEM AND RIGHTS AGENT MAY BE REPRESENTED**

Stem and the Rights Agent, by their respective officers, directors or employees, and the legal advisers of Stem and the Rights Agent, may attend any meeting of the Holders, and shall be recognized and given reasonable opportunity to speak to any resolutions proposed for consideration by the meeting, but shall not be entitled to vote thereat, whether in respect of any Rights held by them or otherwise.

## **8.11 POWERS EXERCISABLE BY EXTRAORDINARY RESOLUTION**

Subject to applicable law and the rules and regulations of any stock exchange having jurisdiction, in addition to the powers conferred upon them by any other provisions of this Indenture or by law, the Holders at a meeting shall have the power, exercisable from time to time by Extraordinary Resolution:

- (a) to sanction any modification, abrogation, alteration, compromise or arrangement of the rights of the Holders and/or the Rights Agent against Stem, or against its property, whether such rights arise under this Indenture or the Rights Certificates or otherwise;

- (b) to assent to any modification of or change in or addition to or omission from the provisions contained in this Indenture or in the Rights Certificates which must be agreed to by Stem and to authorize the Rights Agent to concur in and execute any indenture supplemental hereto embodying any such modification, change, addition or omission;
- (c) to sanction any scheme for the reconstruction or reorganization of Stem or for the consolidation, amalgamation or merger of Stem with any other entity or for the sale, leasing, transfer or other disposition of the undertaking, property and assets of Stem or any part thereof, provided that no such sanction shall be necessary in respect of any such transaction if Section 7.1 has been complied with;
- (d) to direct or authorize the Rights Agent to exercise any power, right, remedy or authority given to it by this Indenture in any manner specified in any such Extraordinary Resolution or to refrain from exercising any such power, right, remedy or authority;
- (e) to waive and direct the Rights Agent to waive any default of Stem hereunder either unconditionally or upon any condition specified in such Extraordinary Resolution;
- (f) to amend, alter or repeal any Extraordinary Resolution previously passed or sanctioned by the Holders; and
- (g) to remove the Rights Agent and appoint a successor agent or trustee.

#### **8.12 MEANING OF "EXTRAORDINARY RESOLUTION"**

- (a) The expression "**Extraordinary Resolution**" when used in this Indenture means, subject as provided in this Article, a resolution proposed to be passed at a meeting of Holders duly convened and held in accordance with the provisions of this Article at which there are Holders present in person or by proxy who hold at least 10% of the aggregate number then outstanding Rights and passed by the affirmative votes of the Holders holding at least 66 2/3% of the then outstanding Rights represented at the meeting and voted on a poll upon such resolution.
- (b) If, at any such meeting, the Holders holding at least 10% of the then outstanding Rights are not present in person or by proxy within 30 minutes after the time appointed for the meeting, then the meeting, if convened by or on the requisition of the Holders, shall be dissolved; but in any other case it shall stand adjourned to such date, being not less than seven nor more than 45 days later, and to such place and time as may be appointed by the chairman. Not less than two days' prior notice shall be given of the time and place of such adjourned meeting in the manner provided in ARTICLE 9. Such notice must state that at the adjourned meeting the Holders present in person or by proxy shall form a quorum but it shall not be necessary to set forth the purposes for which the meeting was originally called or any other particulars. At the adjourned meeting, the Holders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed by the requisite vote as provided in Subsection 10.11(a) shall be an Extraordinary Resolution within the meaning of this Indenture, notwithstanding that

Holders holding at least 10% of the then outstanding Rights are not present in person or by proxy at such adjourned meeting.

- (c) Votes on an Extraordinary Resolution shall always be given on a poll and no demand for a poll on an Extraordinary Resolution shall be necessary.

### **8.13 POWERS CUMULATIVE**

It is hereby declared and agreed that any one or more of the powers and/or any combination of the powers in this Indenture stated to be exercisable by the Holders by Extraordinary Resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers or any combination of powers from time to time shall not be deemed to exhaust the rights of the Holders to exercise the same or any other such power or combination of powers thereafter from time to time.

### **8.14 MINUTES**

Minutes of all resolutions and proceedings at every meeting of Holders shall be made and duly entered in books to be from time to time provided for that purpose by the Rights Agent at the expense of Stem, and any such minutes as aforesaid, if signed by the chairman or secretary of the meeting at which such resolutions were passed or proceedings had, or by the chairman or secretary of the next succeeding meeting (if any) of the Holders, shall be *prima facie* evidence of the matters therein stated and, until the contrary is proved, every such meeting in respect of the proceedings of which minutes shall have been made shall be deemed to have been duly held and convened, and all resolutions passed thereat or proceedings taken thereat, to have been duly passed and taken.

### **8.15 INSTRUMENTS IN WRITING**

All actions which may be taken and all powers which may be exercised by the Holders at a meeting held as hereinbefore provided in this Article provided may also be taken and exercised by Holders holding at least 66 2/3% of the then outstanding Rights by an instrument in writing signed in one or more counterparts and the expression "**Extraordinary Resolution**" when used in this Indenture shall include an instrument so signed.

### **8.16 BINDING EFFECT OF RESOLUTIONS**

Every resolution and every Extraordinary Resolution passed in accordance with the provisions of this Article at a meeting of Holders shall be binding upon all Holders, whether present at or absent from such meeting, and every instrument in writing signed by Holders in accordance with Section 8.15 shall be binding upon all the Holders of Rights, whether signatories thereto or not, and each and every Holder and the Rights Agent (subject to the provisions for its indemnity herein contained) shall be bound to give effect accordingly to every such resolution, Extraordinary Resolution and instrument in writing.

## **ARTICLE 9** **NOTICES**

### **9.1 NOTICE TO STEM AND THE RIGHTS AGENT**

- (a) Unless herein otherwise expressly provided, any notice to be given hereunder to Stem, the Agent or the Rights Agent shall be deemed to be validly given if delivered or if sent by registered letter, postage prepaid, or by electronic transmission:

if to Stem: Stem Holdings, Inc.  
9370 Grand Estates Way  
Boca Raton, FL 33496  
Email: [Redacted]

Attention: Adam Berk, Chief Executive Officer

with a copy to: The Law Offices of Robert Diener  
41 Ulua Place  
Haiku, HI 96708  
Email: [Redacted]

Attention: Robert L.B. Diener

if to the Rights Agent: COMPUTERSHARE TRUST COMPANY OF CANADA  
600, 530 – 8<sup>th</sup> Avenue S.W.  
Calgary, AB T2P 3S8  
Email: [Redacted]

Attention: Manager, Corporate Trust

and any such notice delivered in accordance with the foregoing shall be deemed to have been received on the date of delivery or if sent by electronic transmission, on the first Business Day following such transmission or, if mailed, on the fifth Business Day following the date of the postmark on such notice.

- (b) Stem or the Rights Agent, as the case may be, may from time to time notify the others in the manner provided in Subsection 9.1(a) of a change of address which, from the effective date of such notice and until changed by like notice, shall be the address of Stem or the Rights Agent, as the case may be, for all purposes of this Indenture.

## **9.2 NOTICE TO HOLDERS OF RIGHTS**

Except as herein otherwise expressly provided and subject to Section 9.3, any notice required or permitted to be given to Holders under the provisions of this Indenture shall be deemed to be validly given if personally delivered or if sent by ordinary post to the Holders at their addresses appearing in one of the registers hereinbefore mentioned. Any notice so sent shall be deemed to have been received on the next Business Day after the date of delivery to such address or, if mailed, on the fifth Business Day following the date on which it was mailed. Accidental error or omission in giving notice or accidental failure to give notice to Holders shall not invalidate any action or proceeding founded thereon. In determining under any provision hereof the date when notice of any meeting or other event must be given, the date of giving notice shall be included and the date of the meeting or other event shall be excluded.

## **9.3 MAIL SERVICE INFORMATION**

- (a) If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Holders, the Rights Agent or Stem would be unlikely to reach its destination in the ordinary course of mail, such notice shall be valid and effective only if the notice is:



- (i) in the case of the Rights Agent or Stem, delivered to an officer of the party to which it is addressed or if sent to such party, at the appropriate address in accordance with Section 9.1 by electronic transmission or other means of prepaid transmitted or recorded communication; and
  - (ii) in the case of Holders, published once (i) in the national edition of The Globe & Mail; and (ii) in such other place or places and manner, if any, as the Rights Agent may require.
- (b) Any notice given to the Holders by publication shall be deemed to have been given on the last day on which publication shall have been effected as required pursuant to Subsection 9.3(a).

## **ARTICLE 10**

### **CONCERNING THE RIGHTS AGENT**

#### **10.1 NO CONFLICT OF INTEREST**

The Rights Agent represents to Stem that to the best of its knowledge, at the date of the execution and delivery of this Indenture there exists no material conflict of interest in its role as a fiduciary hereunder. In the event of a material conflict of interest arising in the Rights Agent's role as fiduciary hereunder the Rights Agent shall, as soon as practicable but in any case within 20 days after ascertaining that it has such material conflict of interest, either eliminate the same or assign its trust hereunder to a successor rights agent approved by Stem. Notwithstanding the foregoing provisions of this section, if any such material conflict of interest exists or hereafter shall exist, the validity and enforceability of this Indenture and the Rights Certificate(s) shall not be affected in any manner whatsoever by reason hereof.

#### **10.2 REPLACEMENT OF RIGHTS AGENT**

- (a) The Rights Agent may resign its trust and be discharged from all further duties and liabilities hereunder by giving to Stem at least 45 days' notice in writing or such shorter notice as Stem may accept as sufficient. The Holders by Extraordinary Resolution shall have the power at any time to remove the existing Rights Agent and to appoint a new rights agent. If the Rights Agent resigns or is removed by Extraordinary Resolution or is dissolved, becomes bankrupt, goes into liquidation or otherwise becomes incapable of acting hereunder, Stem shall forthwith appoint a new rights agent unless a new rights agent has already been appointed by the Holders; failing such appointment by Stem, the retiring Rights Agent or any Holder may apply to a judge of a court having jurisdiction, on such notice as such Judge may direct, for the appointment of a new rights agent; but any new rights agent so appointed by Stem or by the Court shall be subject to removal as aforesaid by the Holders. Any new rights agent appointed under any provision of this section must be a corporation authorized to carry on the business of a trust company in the Province of Alberta and, if required by the applicable trust indenture legislation of any other province or territory, in that other province or territory, and must be a corporation which is independent of Stem and has no material conflict of interest. On any new appointment the new rights agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as Rights Agent.

- (b) Any corporation into which the Rights Agent may be merged or with which it may be consolidated or amalgamated or any corporation resulting from any merger, consolidation or amalgamation to which the Rights Agent shall be a party or any corporation succeeding to the trust business of the Rights Agent, shall be the successor rights agent under this Indenture without the execution of any instrument or any further act.

### **10.3 EVIDENCE, EXPERTS AND ADVISERS**

- (a) In addition to the reports, certificates, opinions and other evidence required by this Indenture, Stem shall furnish to the Rights Agent such additional evidence of compliance with any provision hereof, and in such form, as may be prescribed by Indenture Legislation or as the Rights Agent may reasonably require by written notice to Stem.
- (b) In the exercise of its rights and duties hereunder, the Rights Agent may, if it is acting in good faith, rely as to the truth of the statements and the accuracy of the opinions expressed in statutory declarations, opinions, reports, written requests, consents, or orders of Stem, certificates of Stem or other evidence furnished to the Rights Agent pursuant to any provision hereof or any indenture legislation or pursuant to a request of the Rights Agent, not only as to its due execution and the validity and effectiveness of its provisions, but also to the truth and acceptability of any information therein contained which the Rights Agent in good faith believes to be genuine.
- (c) Proof of the execution of an instrument in writing, including a Holders' Request, by any Holder may be made by the certificate of a notary public, or other officer with similar powers, that the person signing such instrument acknowledged to it the execution thereof, or by an affidavit of a witness to such execution or in any other manner which the Rights Agent may consider adequate.
- (d) The Rights Agent may, at the expense of Stem employ or retain such counsel, accountants, appraisers or other experts or advisers as it may reasonably require for the purpose of discharging its duties hereunder and may pay reasonable remuneration for all services so performed by any of them, without taxation of costs of any counsel, and shall not be responsible for any misconduct or negligence on the part of any such experts or advisers who have been appointed with due care by the Rights Agent.

### **10.4 RIGHTS AGENT MAY DEAL IN SECURITIES**

Subject to Section 10.1, the Rights Agent may buy, sell, lend upon and deal in securities of Stem and generally contract and enter into financial transactions with Stem or otherwise, without being liable to account for any profits made thereby.

### **10.5 RIGHTS AGENT NOT ORDINARILY BOUND**

Except as otherwise specifically provided herein, the Rights Agent shall not be bound to give notice to any Person of the execution hereof, nor to do, observe or perform or see to the observance or performance by Stem of any of the obligations herein imposed upon Stem or of the covenants on the part of Stem herein contained.

#### **10.6 RIGHTS AGENT NOT REQUIRED TO GIVE SECURITY**

The Rights Agent shall not be required to give any bond or security in respect of the execution of the trusts and powers of this Indenture or otherwise in respect of the premises.

#### **10.7 RIGHTS AGENT NOT REQUIRED TO GIVE NOTICE OF DEFAULT**

The Rights Agent shall not be bound to give any notice or do or take any act, action or proceeding by virtue of the powers conferred on it hereby unless and until it shall have been required to do so under the terms hereof; nor shall the Rights Agent be required to take notice of any default hereunder, unless and until notified in writing of such default, which notice shall distinctly specify the default desired to be brought to the attention of the Rights Agent and in the absence of any such notice the Rights Agent may for all purposes of this Indenture conclusively assume that no default has been made in the observance or performance of any of the representations, warranties, covenants, agreements or conditions contained herein. Any such notice shall in no way limit any discretion herein given to the Rights Agent to determine whether or not the Rights Agent shall take action with respect to any default.

#### **10.8 ACCEPTANCE OF APPOINTMENT**

The Rights Agent hereby accepts its appointment as Rights Agent and its duties and obligations in this Indenture declared and provided for and agrees to perform them upon the terms and conditions herein set forth and to hold and exercise the rights, privileges and benefits conferred upon it hereby, subject to all the terms and conditions herein set forth, until discharged therefrom by resignation or other lawful removal.

#### **10.9 DUTIES OF RIGHTS AGENT**

The Rights Agent, in exercising its powers and discharging its duties hereunder, shall:

- (a) act honestly and in good faith with a view to the best interests of the Holders; and
- (b) exercise the care, diligence and skill that a reasonably prudent rights agent would exercise in comparable circumstances.

#### **10.10 ACTIONS BY RIGHTS AGENT**

- (a) Subject only to Section 10.9, the obligation of the Rights Agent to commence or continue any act, action or proceeding for the purpose of enforcing any rights of the Rights Agent or the Holders hereunder shall be conditional upon the Holders delivering to the Rights Agent:
  - (i) a Holder's Request or Extraordinary Resolution directing the Rights Agent to take such act, action, or proceeding;
  - (ii) sufficient funds to commence or continue such act, action or proceeding; and
  - (iii) an indemnity reasonably satisfactory to the Rights Agent to protect and hold harmless the Rights Agent against the costs, charges and expenses and

liabilities to be incurred thereby and any loss and damages it may suffer by reason thereof.

- (b) None of the provisions contained in this Indenture shall require the Rights Agent to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers unless indemnified and funded as aforesaid.
- (c) The Rights Agent may, before commencing or at any time during the continuance of any such act, action or proceeding, require the Holders, at whose instance it is acting, to deposit with the Rights Agent the Rights held by them, for which Rights the Rights Agent shall issue receipts.

#### **10.11 PROTECTION OF RIGHTS AGENT**

By way of supplement to the provisions of any law for the time being relating to trustees it is expressly declared and agreed as follows:

- (a) the Rights Agent shall not be liable for or by reason of any statements of fact or recitals in this Indenture or in the Rights Certificates (except the representation contained in Section 10.1 or in the certificate of the Rights Agent on the Rights Certificates) or be required to verify the same, but all such statements or recitals are and shall be deemed to be made by Stem;
- (b) nothing herein contained shall impose any obligation on the Rights Agent to see to or to require evidence of the registration or filing (or renewal thereof) of this Indenture or any instrument ancillary or supplemental hereto; and
- (c) the Rights Agent shall not be bound to give notice to any Person or Persons of the execution hereof.

#### **10.12 INDEMNIFICATION OF THE RIGHTS AGENT**

The Rights Agent, its officers, directors, agents and employees shall at all times be indemnified and saved harmless by Stem from and against all claims, demands, losses, actions, causes of action, suits, proceedings, costs, charges, expenses, assessments, judgements, damages and liabilities whatsoever arising in connection with this Indenture, including, without limitation, those arising out of or related to actions taken or omitted to be taken by the Rights Agent contemplated hereby, reasonable expert consultant and legal fees and disbursements on a solicitor and client basis and reasonable costs and expenses incurred in connection with the enforcement of this indemnity, which the Rights Agent may suffer or incur, whether at law or in equity, in any way caused by or arising, directly or indirectly, in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of its duties as Rights Agent. The foregoing provisions of this section do not apply to the extent that in any circumstance there have been acts of gross negligence, wilful misconduct, or bad faith by the Rights Agent. This indemnity shall survive the termination or discharge of this Indenture and the resignation or removal of the Rights Agent.

### **10.13 THIRD PARTY INTERESTS**

Each party to this Indenture hereby represents to the Rights Agent that any account to be opened by, or interest to held by the Rights Agent in connection with this Indenture, for or to the credit of such party, either: (a) is not intended to be used by or on behalf of any third party; or (ii) is intended to be used by or on behalf of a third party, in which case such party hereto agrees to complete and execute forthwith a declaration in the Rights Agent's prescribed form as to the particulars of such third party.

### **10.14 NOT BOUND TO ACT / ANTI-MONEY LAUNDERING**

The Rights Agent shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Rights Agent, in its sole judgment, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering, anti-terrorist or economic sanctions legislation, regulation or guideline. Further, should the Rights Agent, in its sole judgment, determine at any time that its acting under this Indenture has resulted in its being in non-compliance with any applicable anti-money laundering, antiterrorist or economic sanctions legislation, regulation or guideline, then it shall have the right to resign on 10 days written notice to Stem, provided (i) that the Rights Agent's written notice shall describe the circumstances of such non-compliance; and (ii) that if such circumstances are rectified to the Rights Agent's satisfaction within such 10 day period, then such resignation shall not be effective.

### **10.15 PRIVACY LAWS**

The parties acknowledge that the Rights Agent may, in the course of providing services hereunder, collect or receive financial and other personal information about such parties and/or their representatives, as individuals, or about other individuals related to the subject matter hereof, and use such information for the following purposes: (a) to provide the services required under this Indenture and other services that may be requested from time to time; (b) to help the Rights Agent manage its servicing relationships with such individuals; (c) to meet the Rights Agent's legal and regulatory requirements; and (d) if Social Insurance Numbers are collected by the Rights Agent, to perform tax reporting and to assist in verification of an individual's identity for security purposes.

Each party acknowledges and agrees that the Rights Agent may receive, collect, use and disclose personal information provided to it or acquired by it in the course of its acting as agent hereunder this Indenture for the purposes described above and, generally, in the manner and on the terms described in its Privacy Code, which the Rights Agent shall make available on its website, [www.computershare.com](http://www.computershare.com), or upon request, including revisions thereto. The Rights Agent may transfer personal information to other companies in or outside of Canada that provide data processing and storage or other support in order to facilitate the services it provides.

Further, each party agrees that it shall not provide or cause to be provided to the Rights Agent any personal information relating to an individual who is not a party to this Indenture unless the that party has assured itself that such individual understands and has consented to the aforementioned uses and disclosures.

### **10.16 FORCE MAJEURE**

Except for the payment obligations of Stem contained herein, neither party shall be liable to the other, or held in breach of this Agreement, if prevented, hindered, or delayed in the performance or observance of

any provisions contained herein by reason of act of God, riots, terrorism, acts of war, epidemics, governmental action or judicial order, earthquakes, economic sanctions or any other similar causes (including, but not limited to, mechanical, electronic or communication interruptions, disruptions or failures). Performance times under this Agreement shall be extended for a period of time equivalent to the time lost because of any delay that is excusable under this section.

#### **10.17 SEC CLAUSE**

Stem confirms that as at the date of execution of this Indenture it does not have a class of securities registered pursuant to section 12 of the U.S. Securities Exchange Act or have a reporting obligation pursuant to section 15(d) of the U.S. Securities Exchange Act. Stem covenants that in the event that (i) any class of its securities shall become registered pursuant to section 12 of the U.S. Securities Exchange Act or Stem shall incur a reporting obligation pursuant to section 15(d) of the U.S. Securities Exchange Act, or (ii) any such registration or reporting obligation shall be terminated by Stem in accordance with the U.S. Securities Exchange Act, Stem shall promptly deliver to the Rights Agent an officer's certificate (in a form provided by the Rights Agent) notifying the Rights Agent of such registration or termination and such other information as the Rights Agent may require at the time. Stem acknowledges that the Rights Agent is relying upon the foregoing representation and covenants in order to meet certain U.S. Securities and Exchange Commission obligations with respect to those clients who are filing with the U.S. Securities and Exchange Commission.

### **ARTICLE 11** **SUPPLEMENTAL INDENTURES**

#### **11.1 SUPPLEMENTAL INDENTURES**

- (a) From time to time the Rights Agent and, when authorized by a resolution of its Directors, Stem may, subject to the provisions hereof, and they shall, when required by this Indenture, execute, acknowledge and deliver, by their proper officers, deeds or indentures supplemental hereto, which thereafter shall form part hereof, for any one or more of the following purposes:
  - (i) adding to the covenants of Stem herein contained for the protection of the Holders in addition to those herein specified, relying on the opinion of Counsel;
  - (ii) making such provision not inconsistent with this Indenture as may be necessary or desirable with respect to matters or questions arising hereunder provided that the Rights Agent, relying on the opinion of Counsel, that such provisions shall not be prejudicial to the interests of the Holders;
  - (iii) adding to or altering the provisions hereof in respect of the transfer of Rights, making provision for the exchange of Rights Certificates and making any modification in the form of the Rights Certificate which does not affect the substance thereof, relying on the opinion of Counsel;
  - (iv) evidencing the succession, or successive successions, of other corporations to Stem and the covenants of and obligations assumed by any such successor in accordance with the provisions of this Indenture relying on the opinion of Counsel;

- (v) giving effect to any Extraordinary Resolution passed as provided in ARTICLE 8; and
  - (vi) for any other purpose not inconsistent with the terms of this Indenture, provided that such purpose is not prejudicial to the rights of the Rights Agent or Holders, based on the opinion of Counsel.
- (b) The Rights Agent may also, without the consent or concurrence of the Holders, by supplemental Indenture or otherwise, concur with Stem in making any changes or corrections in this Indenture which it has been advised by Counsel are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or clerical omission or mistake or manifest error contained herein or in any deed or indenture supplemental or ancillary hereto, provided that the Rights Agent, relying on the opinion of Counsel, the rights of the Rights Agent and of the Holders are in no way prejudiced thereby.

## **ARTICLE 12**

### **GENERAL PROVISIONS**

#### **12.1 EXECUTION**

This Indenture may be simultaneously executed in several counterparts, and may be executed by facsimile or other means of electronic communication producing a printed copy, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument and notwithstanding their date of execution they shall be deemed to be dated as of the date hereof.

#### **12.2 FORMAL DATE**

This Indenture may be referred to as bearing the formal date January 20, 2017 irrespective of the actual date of execution hereof.

#### **12.3 SATISFACTION AND DISCHARGE OF INDENTURE**

Upon the Termination Date, this Indenture shall cease to be of any force and effect and the Rights Agent, on demand of and at the cost and expense of Stem and upon delivery to the Rights Agent of a certificate of Stem stating that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, shall execute instruments as requested by Stem acknowledging satisfaction of and discharging this Indenture. Notwithstanding the foregoing, the indemnities provided to the Rights Agent by Stem hereunder shall remain in full force and effect and survive the termination of this Indenture.

#### **12.4 PROVISIONS OF INDENTURE AND RIGHTS FOR THE SOLE BENEFIT OF PARTIES AND HOLDERS**

Nothing in this Indenture or in the Rights Certificates, expressed or implied, shall give or be construed to give to any Person other than the parties thereto and the Holders, as the case may be, any legal or equitable right, remedy or claim under this Indenture, or under any covenant or provision herein or therein contained, all such covenants and provisions being for the sole benefit of the parties hereto and the Holders.

## **12.5 WITHHOLDING**

Each of Stem and the Rights Agent shall be entitled to deduct and withhold from any amounts or property to be issued, paid, assigned or conveyed hereunder, such amounts as Stem or the Rights Agent, as the case may be, is required to deduct and withhold with respect to such payment or transfer under the *Income Tax Act* (Canada) or any provision of federal, provincial, state, local or foreign tax law. In lieu of withholding such amounts Stem and the Rights Agent shall be entitled to otherwise recover or to require a Holder to provide for such applicable taxes. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the relevant Holder, provided that such withheld amounts are actually remitted to the appropriate taxing authority.

***[The remainder of this page is intentionally blank; signature page follows.]***



**IN WITNESS WHEREOF** the parties hereto have executed this Indenture under the hands of their proper officers in that behalf.

**STEM HOLDINGS, INC.**

By: (signed) "Adam Berk"

Name: Adam Berk

Title: Chief Executive Officer

**COMPUTERSHARE TRUST COMPANY OF  
CANADA**

By: (signed) "Beatriz Fedozzi"

Name: Beatriz Fedozzi

Title: Corporate Trust Officer

By: (signed) "Laura Leong"

Name: Laura Leong

Title: Corporate Trust Officer

**SCHEDULE "A"**

**FORM OF RIGHTS CERTIFICATE**

(see attached)

**THIS IS SCHEDULE "A" to the Rights Indenture made as of January 20, 2017 between STEM HOLDINGS, INC. and COMPUTERSHARE TRUST COMPANY OF CANADA, as Rights Agent.**

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**RIGHTS CERTIFICATE**

**STEM HOLDINGS, INC.**

(a corporation existing under the laws of Nevada)  
("Stem")

RIGHTS CERTIFICATE NO. \_\_\_\_\_

\_\_\_\_\_ RIGHTS, each entitling the holder to acquire the Deferred Consideration.

**THIS IS TO CERTIFY THAT** \_\_\_\_\_

(the "**holder**") is the registered holder of the number specified above of rights ("**Rights**"), each Right entitling the holder, to receive cash, securities or property, all on the terms and conditions set out in a rights indenture (the "**Rights Indenture**") between Stem and Computershare Trust Company of Canada dated January 20, 2017.

The Rights represented by this certificate are issued under and pursuant to the Rights Indenture. Reference is made to the Rights Indenture and any instruments supplemental thereto for a full description of the rights of the holders of the Rights and the terms and conditions upon which the Rights are, or are to be, issued and held, with the same effect as if the provisions of the Rights Indenture and all instruments supplemental thereto were herein set forth. By acceptance hereof, the holder assents to all provisions of the Rights Indenture. In the event of a conflict between the provisions of this Rights Certificate and the Rights Indenture, the provisions of the Rights Indenture shall govern. Capitalized terms used in the Rights Indenture have the meaning herein as therein, unless otherwise defined.

The registered holder of this Rights Certificate may, at any time prior to the close of business on the last Business Day immediately preceding the Termination Date, upon surrender hereof to the Rights Agent at its offices in the city of Calgary, Alberta, exchange this Rights Certificate for other Rights Certificates entitling the holder to acquire, in the aggregate, the same Deferred Consideration as may be acquired under this Rights Certificate.

The holding of the Rights evidenced by this Rights Certificate shall not constitute the holder hereof a shareholder of Stem or entitle the holder to any right or interest in respect thereof except as expressly provided in the Rights Indenture and in this Rights Certificate.

The Rights Indenture provides that all holders of Rights shall be bound by any resolution passed at a meeting of the holders held in accordance with the provisions of the Rights Indenture and resolutions signed by the holders of Rights.

The Rights evidenced by this Rights Certificate may only be transferred in accordance with the terms of the Rights Indenture and upon compliance with such reasonable requirements as the Rights Agent may prescribe.

This Rights Certificate shall not be valid for any purpose whatever unless and until it has been certified by or on behalf of the Rights Agent.

Time shall be of the essence hereof.

IN WITNESS WHEREOF Stem has caused this Rights Certificate to be signed by its duly authorized officer as of January 20, 2017.

**STEM HOLDINGS, INC.**

Per: \_\_\_\_\_  
(Authorized Signatory)

Certified by:

**COMPUTERSHARE TRUST COMPANY OF  
CANADA**  
Rights Agent

Per: \_\_\_\_\_  
(Authorized Signatory)

**SCHEDULE "B"**

**TRANSFER FORM**

(see attached)

**THIS IS SCHEDULE "B" to the Rights Indenture made as of January 20, 2017 between STEM HOLDINGS, INC. and COMPUTERSHARE TRUST COMPANY OF CANADA, as Rights Agent.**

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**TRANSFER FORM**

**ANY TRANSFER OF RIGHTS WILL REQUIRE COMPLIANCE WITH APPLICABLE SECURITIES LEGISLATION. TRANSFERORS AND TRANSFEREES ARE URGED TO CONTACT LEGAL COUNSEL BEFORE EFFECTING ANY SUCH TRANSFER.**

TO: Stem Holdings, Inc.  
c/o Computershare Trust Company of Canada  
600, 530 – 8<sup>th</sup> Avenue S. W.  
Calgary, AB T2P 3S8

Attention: Manager, Corporate Trust

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto:

\_\_\_\_\_ (name)

\_\_\_\_\_ (address)

\_\_\_\_\_ of the Rights registered in the name of the undersigned represented by the within Right certificate and hereby appoints \_\_\_\_\_ as its attorney with full power of substitution to transfer the said Rights on the appropriate register of the Right and the Rights Agent.

The undersigned Holder represents, warrants and certifies that the representations, warranties and certifications set forth in the subscription agreement related to the purchase of such Rights are be true and correct as of the date thereof.

**DATED** this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Signature Guaranteed

\_\_\_\_\_  
Name of Holder

\_\_\_\_\_  
Name of Authorized Representative

\_\_\_\_\_  
Signature of Holder or Authorized Representative

\_\_\_\_\_  
Title or Capacity of Authorized Representative

\_\_\_\_\_  
Daytime Phone Number of Holder or Authorized Representative

**Instructions:**

The signature of the Holder must be the signature of the registered holder appearing on the face of this Right Certificate.

If this Transfer Form is signed by a trustee, executor, administrator, curator, guardian, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity, the Right certificate must be accompanied by evidence of authority to sign satisfactory to the Rights Agent and the Corporation, acting reasonably.

The signature on this Transfer Form must be guaranteed by a Schedule 1 Canadian chartered bank, a Canadian trust company, medallion guaranteed by a recognized medallion signature guarantee program or in any other manner satisfactory to the Rights Agent. The guarantor must affix a stamp bearing the actual words "Signature Guaranteed". Signature guarantees are not accepted from treasury branches or credit unions unless they are members of the Stamp Medallion Program. In the United States, signature guarantees must be done by members of the "Medallion Signature Guarantee Program" only.

**TRANSFeree ACKNOWLEDGEMENT**

In connection with this transfer, the undersigned transferee hereby represents, warrants and certifies (please check one of the following):

- (A) The undersigned (i) is not a "U.S. person (a **"U.S. Person"**) (as defined in Rule 902(k) of Regulation S under the United States Securities Act of 1933, as amended (the **"U.S. Securities Act"**)), (ii) at the time of transfer is not within the United States, and (iii) is not acquiring any of the Rights represented by this Right Certificate by or on behalf of any U.S. Person or person within the United States; or
- (B) The undersigned has delivered to Stem Holdings, Inc. (the **"Corporation"**) a written opinion of United States legal counsel (which will not be sufficient unless it is from counsel of recognized standing and such opinion is in form and substance reasonably satisfactory to the Corporation) to the effect that the transfer of Rights may be effected pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws.

The undersigned further acknowledges that it shall notify the Corporation prior to any exercise or deemed exercise of the Rights if the representations, warranties and certifications contained in the Transfer Form are no longer true and correct.

**DATED** this \_\_\_\_ day of \_\_\_\_\_, 201\_.

\_\_\_\_\_  
Authorized signature of Transferee

\_\_\_\_\_  
Print full name here