



Stem Holdings Enters California Dispensary Market Following Signing of Definitive Agreement to Acquire Seven Leaf Ventures

BOCA RATON, Florida, December 24, 2019 – Stem Holdings, Inc. (OTCQB: STMH CSE: STEM) (“**Stem**” or the “**Company**”), a leading vertically-integrated cannabis and hemp branded products company with state-of-the-art cultivation, processing, extraction, retail, and distribution operations, is pleased to announce that it has entered into a definitive agreement (the “**Definitive Agreement**”) to acquire 100% of Seven Leaf Ventures Corp. (“**7LV**”), a private Alberta corporation, and its subsidiaries on December 23, 2019. The acquisition is an arms length transaction. 7LV has entered into an asset purchase agreement to acquire a medical dispensary in the greater Sacramento, California area (the “**Sacramento Dispensary**”). Closing of the acquisition of the Sacramento Dispensary by 7LV is expected to occur in early 2020. 7LV also has an option to acquire a dispensary in Los Angeles, California.

The Sacramento Dispensary is expected to drive synergies with Stem’s premium branded dispensaries in Oklahoma City, OK, and in Eugene and Portland, OR. Stem also expects that the Sacramento Dispensary will receive its recreational license in the near term. The Sacramento Dispensary’s projected revenue for 2020 is US\$7.5 million with EBITDA of US\$2.0 million. In addition, 7LV is expected to have C\$1.5 million in working capital at closing that will be available to Stem immediately.

Pursuant to the Definitive Agreement, Stem will acquire all of the outstanding common shares of 7LV (the “**7LV Shares**”) by way of a three-cornered amalgamation (the “**Acquisition**”). Upon the completion of the Acquisition, 7LV will become a wholly-owned subsidiary of Stem. As consideration for the 7LV Shares, the Company will pay the holders an aggregate of 13,000,000 shares of common stock of Stem (“**Stem Shares**”). 7LV has agreed to a contractual lock-up pursuant to which Stem will release 25% of the Stem Shares to 7LV two business days following closing of the acquisition of the Sacramento Dispensary (the “**Release Date**”), with the balance (75%) of their Stem Shares being released 90 days following Release Date.

The Acquisition is subject to a number of conditions, including the receipt of all required shareholder, regulatory approvals and approval of the debenture holders of 7LV (“**Debenture holders**”).

Following the closing of the Acquisition, it is expected that Arthur Kwan, the Chief Executive Officer of 7LV, will join the board of directors of Stem.

About Stem Holdings, Inc.

As a vertically-integrated cannabis company, Stem is as a pioneer in the industry with its state-of-the-art cultivation, processing, extraction, retail, and distribution operations. Stem owns cannabis facilities in California, Nevada, Oklahoma, and Oregon and hemp facilities in Pennsylvania and New York and also participates in a research project in collaboration with Cornell University. Utilizing proprietary, sustainable cultivation techniques, Stem develops exceptional products that are safe and consist of lab-tested cannabis and CBD. Stem’s owned and partner consumer brands are award-winning and nationally known including cultivators TJ’s Gardens® and Yerba Buena®; retail banners Stem and TJ’s; infused product manufacturers, Cannavore™ and Supernatural Honey™; and a new CBD company, Dose-ology™. Stem’s mission in supporting the health and happiness of people and the safety of our planet is evident through

the Company's continued recognition for its community involvement, employee diversification, and as a top place to work in cannabis, as well as dedication to environmental causes and outstanding leadership in the cannabis industry.

Cautionary Note Regarding Forward-Looking Information

This press release contains statements which constitute "forward-looking information" within the meaning of applicable securities laws, including statements regarding the plans, intentions, beliefs and current expectations of the management of Stem with respect to future business activities. Forward-looking information is often identified by the words "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" or similar expressions and include, without limitation, information regarding: (i) the closing of the acquisition of the Sacramento Dispensary and the timing thereof; (ii) the closing of the Acquisition and the timing thereof; (iii) the purchase price in respect of the Acquisition and the acquisition of the Sacramento Dispensary; (iv) the accretive value of the acquisition of the Sacramento Dispensary on Stem's existing portfolio of dispensaries; (v) the receipt of a recreational license for the Sacramento Dispensary; (vi) the integration of the Sacramento Dispensary into Stem's portfolio; (vii) the expected revenue and EBITDA for the Sacramento Dispensary in 2020; (viii) the expected working capital position of 7LV at Closing; and (vii) the expected appointment of Arthur Kwan on Stem's board of directors.

Investors are cautioned that forward-looking information is not based on historical facts but instead reflects the management of Stem's expectations, estimates or projections concerning future results or events based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made. Although Stem believes that the expectations reflected in such forward-looking information are reasonable, such information involves risks and uncertainties, and undue reliance should not be placed on such information, as unknown or unpredictable factors could have material adverse effects on future results, performance or achievements of the Company. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking information are the following: changes in general economic, business and political conditions, including changes in the financial markets; adverse changes in the public perception of cannabis; decreases in the prevailing prices for cannabis and cannabis products in the markets that the Company operates in; adverse changes in applicable laws; adverse changes in the application or enforcement of current laws, including those related to taxation; the inability to close the acquisition of the Sacramento Dispensary; political risk; and increasing costs of compliance with extensive government regulation. This forward-looking information may be affected by risks and uncertainties in the business of Stem and market conditions.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Although Stem has attempted to identify important risks, uncertainties and factors which could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated or intended. Stem does not intend, and does not assume any obligation, to update this forward-looking information except as otherwise required by applicable law.

No securities regulatory authority has in any way passed upon the merits of the proposed transactions described in this news release or has approved or disapproved of the contents of this news release.

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