

STEM HOLDINGS, INC.
and
OLYMPIA TRUST COMPANY

FIRST SUPPLEMENTAL INDENTURE

Dated as of March 06, 2020

**Providing for the issue of \$3,410,000 Principal Amount of
10% Unsecured Convertible Debentures due May 3, 2021**

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SCHEDULE A FORM OF DEBENTURE

FIRST SUPPLEMENTAL INDENTURE

THIS INDENTURE dated as of March 06, 2020 (the "**Execution Date**").

B E T W E E N:

STEM HOLDINGS, INC., a corporation existing under the laws of Nevada,

(the "**Corporation**")

OF THE FIRST PART

- and -

OLYMPIA TRUST COMPANY, a trust company existing under the laws of Alberta and having an office in the City of Calgary, in the Province of Alberta,

(the "**Indenture Trustee**")

OF THE SECOND PART

RECITALS:

- (a) The Corporation and the Indenture Trustee have entered into a trust indenture dated as of December 27, 2018 (the "**Indenture**"), which provides for the issuance of one or more series of debentures, notes or other evidence of indebtedness of the Corporation.
- (b) Pursuant to the Indenture, the first series of Debentures authorized for issuance was an aggregate principal amount of \$12,075,000 designated as "8.00% Senior Unsecured Convertible Debentures".
- (c) Seven Leaf Ventures Corp. ("**Seven Leaf**"), the Corporation and a wholly owned subsidiary of the Corporation ("**Subco**") (incorporated solely for the purpose of effecting the Transaction (as defined herein)) have entered into a master agreement dated December 23, 2019 (the "**Master Agreement**") pursuant to which the business and assets of Seven Leaf have combined with those of Stem by way of share purchase agreement among 7LV Seven Leaf Ventures Corporation, Pernoya Investments Inc., Plant Properties Corp., Precious Securities Ltd., the Corporation and Subco effective the date hereof (the "**Transaction**"). Pursuant to the Master Agreement, the Corporation has agreed to issue to the holders (the "**Seven Leaf Debentureholders**") of the 10% unsecured convertible debentures of Seven Leaf issued under the debenture indenture dated May 3, 2019 between Seven Leaf and Odyssey Trust Company in the principal amount of \$3,410,000 (the "**Seven Leaf Debentures**"): (i) replacement debentures of the Corporation (the "**Stem Replacement Debentures**"), and (ii) 1,000 Common Shares (the "**Additional Consideration Shares**") for each \$5,000 principal amount of Seven Leaf Debentures outstanding.
- (d) Pursuant to an extraordinary resolution of the Seven Leaf Debentureholders dated February 26, 2020, Seven Leaf Debentureholders holding not less than 66 ²/₃% of the principal amount of the outstanding Seven Leaf Debentures approved, inter alia, the exchange of the Seven Leaf Debentures for (i) the Stem Replacement Debentures issued pursuant to this First Supplemental Indenture, and (ii) the issuance of the Additional Consideration Shares.

- (e) This First Supplemental Indenture is entered into for the purpose of providing for the issue of Additional Debentures in an initial aggregate principal amount of \$3,410,000 designated as "10.00% Unsecured Convertible Debentures" (the "**10% Debentures**") under the Indenture and establishing the terms, provisions and conditions of the 10% Debentures.
- (f) This First Supplemental Indenture is entered into pursuant to Section 2.5 of the Indenture.

NOW THEREFORE THIS FIRST SUPPLEMENTAL INDENTURE WITNESSES and it is hereby covenanted, agreed and declared as follows.

ARTICLE 1 INTERPRETATION

1.1 Supplemental Indenture

This First Supplemental Indenture is a Supplemental Indenture within the meaning of the Indenture. The Indenture and this First Supplemental Indenture will be read together and have effect so far as practicable as though all of the provisions of all such indentures were contained in one instrument.

1.2 First Supplemental Indenture

The terms "**this First Supplemental Indenture**", "**the indenture**", "**herein**", "**hereof**", "**hereby**", "**hereunder**", and similar expressions, unless the context otherwise specifies or requires, refer to the Indenture as supplemented by this First Supplemental Indenture and not to any particular Article, section or other portion, and include every instrument supplemental or ancillary to this First Supplemental Indenture.

1.3 Definitions

All terms used but not defined in this First Supplemental Indenture have the meanings ascribed to them in the Indenture, as such meanings may be amended by this First Supplemental Indenture. In the event of any inconsistency between the terms in the Indenture and this First Supplemental Indenture, the terms in this First Supplemental Indenture prevail.

Subject to the foregoing, in this First Supplemental Indenture and in form of certificate representing the 10% Debentures set out at Schedule A hereto, the following terms have the following meanings.

"**Common Share Interest Repayment Right**" has the meaning ascribed thereto in Section 2.2.11.1.

"**Common Share Repayment Right**" has the meaning ascribed thereto in Section 2.2.11.1.

"**Forced Conversion Date**" has the meaning ascribed thereto in Section 2.2.8.

"**Forced Conversion Notice**" has the meaning ascribed thereto in Section 2.2.8.

"**Interest Payment Notice**" has the meaning ascribed thereto in Section 2.2.11.2.

"**Maturity Date**" means May 3, 2021.

"**Maturity Notice**" has the meaning ascribed thereto in Section 2.2.11.2.

"**Time of Expiry**" has the meaning ascribed thereto in Section 2.2.7.

1.4 Recitals

The recitals in this First Supplemental Indenture are made as representations and statements of fact by the Corporation and not by the Indenture Trustee.

1.5 Currency

All references to dollars or to \$ are references to Canadian dollars unless otherwise specified.

ARTICLE 2 THE 10% DEBENTURES

2.1 Creation and Designation

The Corporation is authorized to issue under this First Supplemental Indenture, a series of Debentures designated as the "10.00% Unsecured Convertible Debentures", which will have the terms set out herein in accordance with the Indenture.

2.2 Terms of 10% Debentures

2.2.1 The 10% Debentures authorized for issue on the date hereof are limited to an aggregate principal amount of \$3,410,000.

2.2.2 The Indenture Trustee has been appointed as transfer agent and registrar of the 10% Debentures at its offices in Calgary, Alberta.

2.2.3 The 10% Debentures shall be issued on the date hereof and shall mature on the Maturity Date.

2.2.4 The 10% Debentures are not convertible on or before May 3, 2020, except in accordance with Section 2.2.7.

2.2.5 The 10% Debentures shall bear interest from September 30, 2019 at the rate of 10% per annum, payable in equal semi-annual payments on March 31 and September 30 in each year with the last payment due on the Maturity Date.

2.2.6 The 10% Debentures will rank *pari passu* with each other series of Debentures issued under the Indenture or under indentures supplemental to the Indenture (regardless of their actual date or terms of issue) and, except as prescribed by law, with all other existing and future unsecured indebtedness of the Corporation.

2.2.7 Provided that the entire principal amount of 10% Debentures has not been subject to conversion in accordance with Section 2.2.8 or redemption in accordance with 2.2.9, the holders thereof shall have the right, at their option, at any time, subject to Article 6 of the Indenture, after May 3, 2020 and on or before the close of business on the earlier of: (i) the last Business Day immediately preceding the Maturity Date, and (ii) the last Business Day immediately preceding the Forced Conversion Date (provided the entire principal amount of such 10% Debentures is converted thereon) (the earlier of which will be the "**Time of Expiry**" for the purposes of Article 6 of the Indenture in respect of the 10% Debentures) to convert any part, which is \$1,000 or an integral multiple thereof, of the outstanding principal amount of such 10% Debentures into Common Shares at the Conversion Price. The Conversion Price in effect on the date hereof for each Common Share to be issued upon the conversion of the 10% Debentures shall be equal to \$1.67 such that 598 Common Shares shall be issued for each \$1,000 principal amount of 10% Debentures so converted. The Conversion Price applicable to, and the Common Shares, securities or other property receivable on, the conversion of the 10% Debentures is subject to adjustment pursuant to the provisions of Section 6.4 of the Indenture. Holders converting their 10% Debentures will receive

accrued and unpaid interest thereon for the period from and including the date of the latest interest payment date to, and including, the date of conversion. Such right of conversion shall extend only to the maximum number of whole Common Shares into which the aggregate principal amount of the 10% Debenture or 10% Debentures surrendered for conversion at any one time by the holder thereof may be converted. Fractional interests in Common Shares shall be adjusted for in the manner provided in Section 6.5 of the Indenture.

2.2.8 If at any time prior to the Maturity Date, the daily volume weighted average trading price of the Common Shares on the CSE, or such other recognized stock exchange, is greater than or equal to \$1.85 for any 30 consecutive trading days, the Corporation may, within 30 days of the occurrence of such event, deliver a notice to the holders of the 10% Debentures forcing the surrender and conversion, in whole or in part, in the Corporation's sole discretion, of the principal amount of the 10% Debentures (the "**Forced Conversion Notice**") on the date that is 30 days following the date of such notice (the "**Forced Conversion Date**") at the Conversion Price, subject to adjustment pursuant to the provisions of Section 6.4 of the Indenture. Upon such Forced Conversion Date (i) all or a portion of the principal amount so stipulated in the Forced Conversion Notice (less any tax required by law to be deducted or withheld) of the 10% Debentures shall be deemed to be converted into Common Shares at the then applicable Conversion Price; and (ii) the holders shall be entered in the books of the Corporation as at the Business Day following the Forced Conversion Date as the holders of the number of Common Shares, as applicable, into which the 10% Debentures held by them are convertible. Upon the surrender of the 10% Debentures to the Indenture Trustee at its offices in the City of Calgary, by the holders, the Corporation shall deliver to the holders certificates for the Common Shares into which the 10% Debentures held by them have been converted. Holders of 10% Debentures subject to conversion herein shall be unpaid interest thereon for the period from and including the date of the latest interest payment date to, and including, the date of conversion.

2.2.9 At any time after November 3, 2019 and on or before May 3, 2020, the outstanding principal amount of the 10% Debentures may be redeemed at the option of the Corporation at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest up to and including the Redemption Date in accordance with Article 4 of the Indenture.

2.2.10 The 10% Debentures shall be issued in denominations of \$1,000 and integral multiples of \$1,000. Each 10% Debenture and the certificate of the Indenture Trustee endorsed thereon shall be issued in substantially the form set out in Schedule A, with such insertions, omissions, substitutions or other variations as shall be required or permitted by the Indenture, and may have imprinted or otherwise reproduced thereon such legend or legends or endorsements, not inconsistent with the provisions of this First Supplemental Indenture or the Indenture, as may be required to comply with any law or with any rules or regulations pursuant thereto or with any rules or regulations of any stock exchange or securities regulatory authority or to conform with general usage, all as may be determined by the director or officer of the Corporation executing such 10% Debenture in accordance with the Indenture, as conclusively evidenced by his or her execution of a 10% Debenture. Each 10% Debenture shall additionally bear such distinguishing letters and numbers as the Indenture Trustee shall approve. Notwithstanding the foregoing, a 10% Debenture may be in such other form or forms as may, from time to time, be, approved by a resolution of the directors of the Corporation or as specified in an Officers' Certificate. The 10% Debentures may be engraved, lithographed, printed, mimeographed or typewritten or partly in one form and partly in another.

2.2.11 **Right to Pay all Amounts in Common Shares**

2.2.11.1 Notwithstanding any other provision in this First Supplemental Indenture, for greater certainty, unless an Event of Default has occurred and is continuing, and subject to applicable law and regulatory approval, the Corporation shall have the right, at its option, to elect to satisfy its obligation to pay (less any taxes required to be deducted): (i) interest due in respect of the 10% Debentures on the applicable Interest Payment Date,

in whole or in part (the "**Common Share Interest Repayment Right**"); and (ii) the principal amount of the 10% Debentures outstanding at the Maturity Date, in whole or in part (the "**Common Share Repayment Right**"), in each case, by issuing and delivering to holders on the Interest Payment Date or Maturity Date, as applicable, that number of Common Shares obtained by dividing: (i) in the case of the Common Share Interest Repayment Right, the aggregate amount of the interest owing to holders of the 10% Debentures by 95% of the Current Market Price of the Common Shares on the Interest Payment Date; and (ii) in the case of the Common Share Repayment Right, the aggregate principal amount of 10% Debentures by 95% of the Current Market Price of the Common Shares on the Maturity Date.

2.2.11.2 The Corporation shall exercise the Common Share Interest Repayment Right or Common Share Repayment Right by so specifying in a notice regarding the interest payment (the "**Interest Payment Notice**") or a notice of maturity (the "**Maturity Notice**"), as applicable, which shall be delivered to the Indenture Trustee and the holders of 10% Debentures not more than 60 days and not less than 30 days prior to the Interest Payment Date or Maturity Date, as applicable. The respective notice shall also specify the aggregate interest amount or aggregate principal amount of 10% Debentures in respect of which it is exercising the respective right.

2.2.11.3 The Corporation's right to exercise the Common Share Interest Repayment Right or the Common Share Repayment Right shall be conditional upon the following conditions being met on or before the Business Day preceding the Interest Payment Date or Maturity Date, as applicable:

2.2.11.3.1 the conditional listing of the Common Shares, issuable upon exercise of the Common Share Interest Repayment Right or the Common Share Repayment Right, as applicable, on each recognized stock exchange on which the Common Shares are then listed subject only to customary conditions of listing;

2.2.11.3.2 the Corporation being a reporting issuer (or its equivalent) in good standing under applicable Canadian securities law in any jurisdiction in Canada;

2.2.11.3.3 no Event of Default shall have occurred and be continuing; and

2.2.11.3.4 the receipt by the Indenture Trustee of a certificate stating that the conditions above have been satisfied and setting forth the number of Common Shares to be delivered for each \$1,000 principal amount of 10% Debentures and the Current Market Price of the Common Shares on the Interest Payment Date or Maturity Date, as applicable.

If the foregoing conditions are not satisfied at or prior to the close of business on the Business Day preceding the Interest Payment Date or Maturity Date, as applicable, the Corporation shall pay in cash 100% of the interest obligation, principal or other amounts owing that would otherwise have been satisfied by the issuance of Common Shares.

2.2.11.4 In the event that the Corporation duly exercises the Common Share Interest Repayment Right or the Common Share Repayment Right, the Corporation shall on or before 11:00 a.m. (Toronto time) on the Interest Payment Date or Maturity Date, as applicable, make the delivery to the Indenture Trustee for delivery to and on account of the holders on the Interest Payment Date and upon presentation and surrender of the 10% Debentures for payment on Maturity Date, as applicable, at any place where a register of Debentureholders is maintained pursuant to Section 3.1 of the Indenture or any other place specified in the Interest Payment Notice or Maturity Notice, as applicable,

of certificates representing the Common Shares. Such Common Shares shall be registered in the names of the holders of the 10% Debentures to whom such Common Shares are owed except in the case of such Common Shares issued upon exercise of the Common Share Repayment Right which shall initially be registered in the name of the Indenture Trustee until such time as the former holder of such 10% Debentures has surrendered its 10% Debentures or duly endorsed a form of transfer to the Indenture Trustee.

2.2.11.5 If any fractional interest in a Common Share would be deliverable upon the exercise of the rights set out in this Section, the number of Common Shares issued shall be rounded down to the nearest whole number. For the avoidance of doubt, no consideration will be paid in lieu of fractional Common Shares.

2.2.11.6 A holder shall be treated as the shareholder of record of the Common Shares issued upon exercise by the Corporation of the Common Share Interest Repayment Right or the Common Share Repayment Right, as applicable, pursuant to this Section effective immediately after the close of business on the Interest Payment Date or Maturity Date, as applicable, and shall be entitled to all substitutions therefor, all income earned thereon or accretions thereto and all dividends or distributions (including dividends or distributions in kind) thereon and arising thereafter, and in the event that the Indenture Trustee receives the same, it shall hold the same in trust for the benefit of such holder.

2.2.11.7 In the event the Corporation exercises the Common Share Interest Repayment Right or Common Share Repayment Right, the Corporation shall reserve and keep available out of its authorized Common Shares such number of Common Shares as shall be issuable in such event (if the number thereof becomes limited) solely for the purpose of issue and delivery of Common Shares upon the exercise of the Common Share Interest Repayment Right or the Common Share Repayment Right as provided herein.

ARTICLE 3 MISCELLANEOUS

3.1 Confirmation

The provisions of the Indenture remain in full force and effect and are hereby confirmed, unamended except as specifically amended hereby.

3.2 Counterparts

This First Supplemental Indenture may be executed in several counterparts, each of which so executed will be deemed to be an original and such counterparts together will constitute one and the same instrument and notwithstanding their date of execution shall be deemed to bear the date as of the Execution Date.

ARTICLE 4 CONCERNING THE TRUSTEE

4.1 Acceptance of Trust

The Indenture Trustee hereby accepts the trusts in this First Supplemental Indenture declared and provided for and agrees to perform the same upon the terms and conditions herein set forth.

[Signature Page Follows]

IN WITNESS WHEREOF the parties have executed this First Supplemental Indenture under the hands of their proper officers or authorized signatories.

STEM HOLDINGS, INC.

By: "Adam Berk"
Adam Berk
Chief Executive Officer

OLYMPIA TRUST COMPANY, as Indenture Trustee

By: "Dean Naugler"
Authorized Signatory

By: "Amy Wilkinson"
Authorized Signatory

SCHEDULE A

**TO THE FIRST SUPPLEMENTAL INDENTURE BETWEEN
STEM HOLDINGS, INC. AND
OLYMPIA TRUST COMPANY**

FORM OF DEBENTURE

THIS DEBENTURE AND ANY SHARES ISSUABLE PURSUANT TO THE CONVERSION OF THIS DEBENTURE (COLLECTIVELY, THE "SECURITY") HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE, AND IS BEING OFFERED AND SOLD PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND SUCH LAWS. THIS SECURITY MAY NOT BE SOLD OR TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT OR SUCH OTHER LAWS.

No. [...]

\$ [...]

STEM HOLDINGS, INC.

(a corporation incorporated under the laws of Nevada)

10.00% Unsecured Convertible Debentures

Due May 3, 2021

STEM HOLDINGS, INC. (the "**Corporation**") for value received hereby acknowledges itself indebted and, subject to the provisions of the trust indenture (the "**Initial Indenture**") dated as of December 27, 2018 between the Corporation and Olympia Trust Company (the "**Indenture Trustee**"), as amended by the first supplemental indenture (the "**First Supplemental Indenture**") dated as of March ____, 2020 between the Corporation and the Indenture Trustee (the First Supplemental Indenture together with the Initial Indenture, the "**Indenture**"), promises to pay to the registered holder hereof on May 3, 2021 (the "**Maturity Date**") or on such earlier date as the principal amount hereof may become due in accordance with the provisions of the Indenture the principal sum of _____ Dollars (\$_____) in lawful money of Canada on presentation and surrender of this 10% Debenture (as hereinafter defined) at the main branch of the Indenture Trustee in Calgary, Alberta in accordance with the terms of the Indenture and to pay interest from September 30, 2019 at the rate of 10% per annum, payable in equal semi-annual payments on March 31 and September 30 in each year.

Interest hereon shall be payable by electronic funds transfer or by cheque mailed to the registered holder hereof and, subject to the provisions of the Indenture, the electronic funds transfer or mailing of such cheque shall, to the extent of the sum represented thereby (plus the amount of any tax withheld), satisfy and discharge all liability for interest on this 10% Debenture.

This Debenture is one of the 10.00% Unsecured Convertible Debentures of the Corporation due on the Maturity Date issued or issuable under the provisions of the Indenture (referred to herein as the "**10% Debentures**"). The 10% Debentures are limited to an aggregate principal amount of \$3,410,000 in lawful money of Canada. Reference is hereby expressly made to the Indenture for a description of the terms and conditions upon which the 10% Debentures are or are to be issued and held and the rights and remedies of the holders of the 10% Debentures, the Corporation and the Indenture Trustee, all to the same effect as if the provisions of the Indenture were herein set forth, to all of which provisions the holder of this 10% Debenture by acceptance hereof assents.

The 10% Debentures are issuable only in denominations of \$1,000 and integral multiples thereof. Upon compliance with the provisions of the Indenture, 10% Debentures of any denomination may be exchanged for an equal aggregate principal amount of 10% Debentures in any other authorized denomination or denominations.

At any time after May 3, 2020, the aggregate principal amount then outstanding, or if this 10% Debenture is in a denomination in excess of \$1,000, any part of the aggregate principal amount then outstanding which is \$1,000 or an integral multiple thereof, is convertible, at the option of the holder hereof, upon surrender of this 10% Debenture at the principal office of the Indenture Trustee in Calgary, Alberta, at any time prior to the earlier of: (i) the last Business Day immediately preceding the Maturity Date, and (ii) the last Business Day immediately preceding the Forced Conversion Date (as hereinafter defined), into common shares in the capital of the Corporation ("**Common Shares**") (without adjustment for interest accrued hereon or for dividends or distributions on Common Shares issuable upon conversion) at a conversion price of \$1.67 per Common Share (the "**Conversion Price**"), being a rate of approximately 598 Common Shares for each \$1,000 principal amount of the 10% Debentures, all subject to the terms and conditions and in the manner set forth in the Indenture. The Indenture makes provision for the adjustment of the Conversion Price upon the occurrence certain events therein specified. If any fractional interest in a Common Share would be deliverable upon conversion of the 10% Debentures, the number of Common Shares issued shall be rounded down to the nearest whole number. For the avoidance of doubt, no consideration will be paid in lieu of fractional Common Shares. Holders converting their 10% Debentures will receive accrued and unpaid interest thereon.

If at any time prior to the Maturity Date, the daily volume weighted average trading price of the Common Shares on the CSE, or such other recognized stock exchange, is greater than or equal to \$1.85 for any 30 consecutive trading days, the Corporation may, within 30 days of the occurrence of such event, deliver a notice to the holders of the 10% Debentures forcing the surrender and conversion, in whole or in part, in the Corporation's sole discretion, of the principal amount of the 10% Debentures (the "**Forced Conversion Notice**") on the date that is 30 days following the date of such notice (the "**Forced Conversion Date**") at the Conversion Price, subject to adjustment pursuant to the provisions of Section 6.4 of the Indenture. Upon such Forced Conversion Date (i) all or a portion of the principal amount so stipulated in the Forced Conversion Notice (less any tax required by law to be deducted or withheld) of the 10% Debentures shall be deemed to be converted into Common Shares at the then applicable Conversion Price; and (ii) the holders shall be entered in the books of the Corporation as at the Business Day following the Forced Conversion Date as the holders of the number of Common Shares, as applicable, into which the 10% Debentures held by them are convertible. Upon the surrender of the 10% Debentures to the Indenture Trustee at its offices in the City of Calgary, by the holders, the Corporation shall deliver to the holders certificates for the Common Shares into which the 10% Debentures held by them have been converted. Holders of 10% Debentures subject to conversion herein shall be unpaid interest thereon for the period from and including the date of the latest interest payment date to, and including, the date of conversion.

At any time after November 3, 2019 and on or before May 3, 2020, the outstanding principal amount of the 10% Debentures may be redeemed at the option of the Corporation at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest up to and including the Redemption Date in accordance with Article 4 of the Indenture.

Unless an Event of Default has occurred and is continuing, and subject to applicable law and applicable regulatory approval, the Corporation shall have the right, at its option upon not more than 60 days' and not less than 30 days' prior written notice, to elect to satisfy its obligation to: (i) repay the principal amount of the 10% Debentures outstanding, in whole or in part, on the Maturity Date, and (ii) pay interest on the 10% Debentures, in whole or in part, in each case, by issuing and delivering that number of Common Shares to Debentureholders calculated in accordance with the terms of the Supplemental Indenture.

The indebtedness evidenced by this 10% Debenture, and by all other 10% Debentures now or hereafter certified and delivered under the Indenture, are direct unsecured obligations of the Corporation, and will rank equally with one another and with all other unsecured indebtedness of the Corporation except as

prescribed by law and will rank senior to any existing or future subordinated indebtedness of the Corporation. For greater certainty, the 10% Debentures will be subordinate to any Secured Indebtedness.

The principal hereof may become or be declared due and payable before the stated maturity in the events, in the manner, with the effect and at the times provided in the Indenture.

The Indenture contains provisions making binding upon all Debentureholders outstanding thereunder (or in certain circumstances, specific series of Debentures) resolutions passed at meetings of such holders held in accordance with such provisions and instruments signed by the holders of a specified majority of Debentures outstanding (or specific series), which resolutions or instruments may have the effect of amending the terms of this 10% Debenture or the Indenture.

The Indenture contains provisions disclaiming any personal liability on the part of holders of Common Shares or the directors or officers of the Corporation in respect of any obligation or claim arising out of the Indenture or this 10% Debenture.

This 10% Debenture may only be transferred, upon compliance with the conditions prescribed in the Indenture, in the register to be kept at the principal offices of the Indenture Trustee in Calgary, Alberta and in such other place or places and/or by such other registrars (if any) as the Corporation with the approval of the Indenture Trustee may designate. No transfer of this 10% Debenture shall be valid unless made to the register by the registered holder hereof or his, her or its executors or administrators or other legal representatives, or his, hers or its attorney duly appointed by an instrument in form and substance satisfactory to the Indenture Trustee or other registrar, and upon compliance with such reasonable requirements as the Indenture Trustee and/or other registrar may prescribe.

This 10% Debenture shall not become obligatory for any purpose until it shall have been certified by the Indenture Trustee under the Indenture.

This 10% Debenture is governed by the Indenture. If any provisions of this 10% Debenture are inconsistent with the provisions of the Indenture, the provisions of the Indenture shall take precedence and shall govern. Capitalized words or expressions used in this 10% Debenture shall, unless otherwise defined herein, have the meaning ascribed thereto in the Indenture.

IN WITNESS WHEREOF the Corporation has caused this 10% Debenture to be signed by its authorized representative as of March ____, 2020.

STEM HOLDINGS, INC.

By: _____

Name:

Title:

TRUSTEE'S CERTIFICATE

This 10% Debenture is one of the 10.00% Unsecured Convertible Debentures due May 3, 2021 referred to in the Indenture within mentioned.

OLYMPIA TRUST COMPANY

Per:

Name:

Title:

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____, whose address and social insurance number, if applicable, are set forth below, this 10% Debenture (or \$_____ principal amount hereof*) of **STEM HOLDINGS, INC.** standing in the name(s) of the undersigned in the register maintained by Olympia Trust Company with respect to such 10% Debenture and does hereby irrevocably authorize and direct the Indenture Trustee to transfer such 10% Debenture in such register, with full power of substitution in the premises.

Dated: _____

Address of Transferee: _____
(Street Address, City, Province and Postal Code)

Social Insurance Number of Transferee, if applicable: _____

*If less than the full principal amount of the within 10% Debenture is to be transferred, indicate in the space provided the principal amount (which must be \$1,000 or an integral multiple thereof, unless you hold a 10% Debenture in a non-integral multiple of \$1,000, in which case such 10% Debenture is transferable only in its entirety) to be transferred.

The signature(s) to this assignment must correspond with the name(s) as written upon the face of this 10% Debenture in every particular without alteration or any change whatsoever. The signature(s) must be guaranteed by a member of an acceptable Medallion Guarantee Program. Notarized or witnessed signatures are not acceptable as guaranteed signatures. The Guarantor must affix a stamp bearing the actual words: "SIGNATURE GUARANTEED".

The registered holder of this 10% Debenture is responsible for the payment of any documentary, stamp or other transfer taxes that may be payable in respect of the transfer of this 10% Debenture.

Signature of Guarantor:

Authorized Officer

Signature of transferring registered holder

Name of Institution

CONVERSION NOTICE

TO: **STEM HOLDINGS, INC.**
OLYMPIA TRUST COMPANY
2300, 125 – 9 Avenue SE, Calgary, Alberta T2G 0P6

Note: All capitalized terms used herein have the meaning ascribed thereto in the Indenture (as defined below), unless otherwise indicated.

The undersigned registered holder of this 10% Debenture irrevocably elects to convert such 10% Debentures (or \$_____ principal amount thereof*) in accordance with the terms of the Indenture referred to in such 10% Debentures and tenders herewith the Debentures, and, if applicable, directs that the common shares of Stem Holdings, Inc. ("**Common Shares**") issuable upon a conversion be issued and delivered to the person indicated below. (If the Common Shares are to be issued in the name of a person other than the holder, all requisite transfer taxes must be tendered by the undersigned).

Dated: _____

(Signature of Registered Holder)

* If less than the full principal amount of the 10% Debentures, indicate in the space provided the principal amount (which must be \$1,000 or integral multiples thereof).

NOTE: If Common Shares are to be issued in the name of a person other than the holder, the signature must be guaranteed by a member of an acceptable Medallion Guarantee Program. The Guarantor must affix a stamp bearing the actual words: "SIGNATURE GUARANTEED".

(Print name in which Common Shares are to be issued, delivered and registered)

Name: _____

(Address)

(City, Province and Postal Code)

Name of guarantor: _____

Authorized signature: _____