

STEM HOLDINGS, INC.

NOTICE OF MEETING

and

INFORMATION CIRCULAR

**MEETING OF HOLDERS OF COMMON SHARE PURCHASE WARRANTS
(THE "WARRANTS")**

to be held on

April 7, 2020

with respect to

**AN EXTRAORDINARY RESOLUTION
TO AMEND THE TERMS OF THE WARRANTS**

March 13, 2020

March 13, 2020

Dear Warrantholder:

You are invited to attend a meeting (the "**Meeting**") of holders (the "**Warrantholders**") of common share purchase warrants (the "**Warrants**") of Stem Holdings, Inc. (the "**Corporation**") issued and outstanding under a warrant indenture (the "**Warrant Indenture**") dated December 27, 2018 between the Corporation and Olympia Trust Company to be held at 10:00 AM (Toronto time) on April 7, 2020 at Dentons Canada LLP, 77 King Street West, Suite 400, Toronto-Dominion Centre, Toronto, Ontario. At the Meeting, you will be asked to consider amendments to the terms of the Warrant Indenture under which the Warrants were created.

The Warrants were issued in connection with a private placement of special warrants of the Corporation, which closed on December 27, 2018 and March 14, 2019. The Warrants expire within twenty-four (24) months following the applicable closing date and have an exercise price of C\$3.90 per share of Common Stock of the Corporation (the "**Common Shares**"). The Common Shares have been trading on the Canadian Securities Exchange (the "**CSE**") in the range of C\$3.00 to C\$0.79 from January 1, 2019 to December 27, 2019.

Pursuant to the press release of the Corporation dated December 27, 2019, the board of directors of the Corporation has determined it to be in the best interests of the Corporation to amend the Warrant Indenture to reprice the Warrants from the current exercise price of C\$3.90 per Common Share to C\$1.50 per Common Share (the "**Warrant Repricing**").

Pursuant to the policies of the CSE, as a condition precedent to the Warrant Repricing, the Warrants must also be amended to provide that if the closing trading price of the Common Shares exceeds C\$1.87 for a period of 10 consecutive trading days on the CSE, the expiry date of the Warrants will be accelerated to the date that is 30 calendar days after the date of such 10 trading day period (together with the Warrant Repricing, the "**Warrant Amendments**").

Pursuant to the Warrant Indenture, the Warrant Amendments must be approved by an extraordinary resolution which requires that: (a) Warrantholders holding at least 10% of the aggregate number of all then outstanding Warrants are present in person or by proxy at the Meeting, and (b) Warrantholders holding not less than 66 2/3% of the aggregate number of all then outstanding Warrants represented at the Meeting vote in favor of such extraordinary resolution. Each Warrant is entitled to one vote. Regardless of the number of Warrants you own, your vote is important. Whether or not you plan to attend the Meeting, please submit your proxy as soon as possible to ensure that your Warrants are represented at the Meeting.

On behalf of the board of directors and management of the Corporation, I thank you for your continued support.

Yours sincerely,

"Adam Berk"

Adam Berk,
Chief Executive Officer

STEM HOLDINGS, INC.

**NOTICE OF MEETING OF HOLDERS OF WARRANTS
TO BE HELD ON APRIL 7, 2020**

NOTICE IS HEREBY GIVEN that the meeting (the "**Meeting**") of the holders ("**Warrantholders**") of common share purchase warrants (the "**Warrants**") of **STEM HOLDINGS, INC.** (the "**Corporation**") issued and outstanding under a warrant indenture (the "**Warrant Indenture**") dated December 27, 2018 between the Corporation and Olympia Trust Company (the "**Warrant Agent**") will be held at 10:00 AM (Toronto time) on April 7, 2020 at Dentons Canada LLP, 77 King Street West, Suite 400, Toronto-Dominion Centre, Toronto, Ontario, for the following purposes:

- (a) to consider, and if thought appropriate, to approve an extraordinary resolution ("**Extraordinary Resolution**"), the full text of which is set out in the accompanying information circular (the "**Information Circular**") to amend the Warrant Indenture to: (i) reduce the exercise price to C\$1.50 per share of Common Stock of the Corporation (the "**Common Shares**"); and (ii) provide that if the closing trading price of the Common Shares exceeds C\$1.87 for a period of 10 consecutive trading days on the Canadian Securities Exchange, the expiry date of the Warrants will be accelerated to the date that is 30 calendar days after the date of such 10 trading day period; and
- (b) to transact such other business as may properly come before the Meeting or any adjournment thereof.

The accompanying Information Circular provides additional information with respect to the matters to be considered at the Meeting and forms part of this notice of Meeting. Warrantholders are invited to attend the Meeting. Warrantholders holding Warrants as of March 13, 2020 will be entitled to vote at the Meeting.

Regardless of whether or not you are able to be present at the Meeting, please date, sign and return the form of proxy accompanying this notice of Meeting. To be effective, forms of proxy must be received by 10:00 AM (Toronto time) on April 3, 2020, or if the Meeting is adjourned, not later than 48 hours, excluding Saturdays, Sundays and holidays of any adjournment of the Meeting.

Pursuant to the provisions of the Warrant Indenture, any extraordinary resolution passed at the Meeting or any adjournment or postponement thereof will, if passed in accordance with the provisions of the Warrant Indenture, be binding upon all Warrantholders to which the resolution related, whether present or absent at the Meeting.

DATED this 13th day of March, 2020.

BY ORDER OF THE BOARD OF DIRECTORS

"Adam Berk"

Adam Berk
Chief Executive Officer

STEM HOLDINGS, INC.

**INFORMATION CIRCULAR
RELATING TO THE MEETING OF HOLDERS OF
COMMON SHARE PURCHASE WARRANTS
TO BE HELD ON APRIL 7, 2020**

VOTING INFORMATION

Solicitation of Proxies

The information contained in this information circular ("**Information Circular**") is furnished to the holders (the "**Warrantholders**") of common share purchase warrants expiring on December 27, 2020 and March 14, 2021 (the "**Warrants**") of Stem Holdings, Inc. (the "**Corporation**") issued and outstanding under a warrant indenture (the "**Warrant Indenture**") dated December 27, 2018 between the Corporation and Olympia Trust Company ("**Warrant Agent**") in connection with the solicitation by management of the Corporation of proxies to be used at the meeting (the "**Meeting**") of the Warrantholders to be held at 10:00 AM (Toronto time) on April 7, 2020 at Dentons Canada LLP, 77 King Street West, Suite 400, Toronto-Dominion Centre, Toronto, Ontario, and at all adjournments thereof, for the purposes set forth in the notice of Meeting, which accompanies this Information Circular (the "**Notice of the Meeting**"). The solicitation of proxies will be made primarily by mail but proxies may also be solicited personally or by telephone by officers, directors or regular employees of the Corporation. Employees of the Corporation will not receive any extra compensation for such activities. The Corporation may also retain, and pay a fee to, one or more professional proxy solicitation firms to solicit proxies from the Warrantholders in favour of the matters set forth in the Notice of the Meeting. The Corporation may pay brokers or other persons holding Warrants in their own names, or in the names of nominees, for their reasonable expenses for sending proxies and this Information Circular to beneficial owners of Warrants and obtaining proxies therefor. **The solicitation of proxies by this Information Circular is being made by and on behalf of management of the Corporation.** The cost of the solicitation will be borne by the Corporation.

No person is authorized to give any information or to make any representation other than those contained in this Information Circular and, if given or made, such information or representation should not be relied upon as having been authorized by the Corporation. The information contained herein is given as of March 13, 2020 except as otherwise indicated. The delivery of this Information Circular shall not, under any circumstances, create an implication that there has not been any change in the information set forth herein since the date of this Information Circular.

Appointment and Revocation of Proxies

The persons named in the form of proxy accompanying this Information Circular are officers and/or directors of the Corporation. A Warrantholder has the right to appoint a person, who need not be a Warrantholder, other than the persons specified in such form of proxy to attend and act for and on behalf of such Warrantholder at the Meeting. Such right may be exercised by either striking out the names of the persons specified in the form of proxy accompanying this Information Circular and inserting the name of the person to be appointed in the blank space provided in such form of proxy or by completing and executing another form of proxy and, in either case, returning such completed and executed form of proxy in the manner described in the Notice of the Meeting.

In addition to any other manner permitted by law, a proxy may be revoked before it is exercised by instrument in writing executed in the same manner as a proxy and deposited at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any

adjournment thereof, at which the proxy is to be used or with the Chairman of the Meeting on the day of such Meeting or any adjournment thereof and thereupon the proxy is revoked.

Voting of Warrants Represented by Management Proxies

The persons named in the form of proxy accompanying this Information Circular will vote the Warrants in respect of which they are appointed proxy on any ballot that may be called for at the Meeting or any adjournment thereof in accordance with the instructions in the form of proxy. **In the absence of instructions, such persons will vote such Warrants in favour of or for each of the matters referred to in the Notice of the Meeting.**

The form of proxy accompanying this Information Circular confers discretionary authority upon the persons named therein with respect to amendments to or variations of the matters identified in the Notice of the Meeting and with respect to other matters, if any, which may properly be brought before the Meeting or any adjournment thereof. At the date of this Information Circular, management of the Corporation knows of no such amendments, variations or other matters to be brought before the Meeting. However, if any other matters which are not now known to management of the Corporation should properly be brought before the Meeting or any adjournment thereof, the Warrants represented by any proxy will be voted on such matters in accordance with the judgement of the person named in such proxy.

Non-Registered Warranholders

Some Warranholders beneficially own Warrants that are registered in the name of a broker, another intermediary or an agent of that broker or intermediary ("**Non-Registered Warranholders**").

Without specific instructions, intermediaries are prohibited from voting Warrants for their clients. If you are a Non-Registered Warranholder, you should follow your intermediary's instructions on how to vote your Warrants.

If you are a Non-Registered Warranholder, you have the right to attend and vote your Warrants directly at the Meeting. If you are a Non-Registered Warranholder and you wish to attend the Meeting and vote your Warrants you can request, in writing, a legal proxy from your broker or other intermediary in whose name your Warrants are registered, that enables you to vote the Warrants registered in the name of that intermediary. You should carefully and promptly follow the instructions of your intermediary in this regard.

A Non-Registered Warranholder may revoke a form of proxy or voting instruction form given to an intermediary at any time by written notice to the intermediary in accordance with the instructions given to the Non-Registered Warranholder by its intermediary.

How to Vote your Warrants

Registered Warranholders

If you are a registered Warranholder you may either vote by proxy or in person at the Meeting.

Submitting Votes by Proxy

There are four ways to submit your vote by proxy:

INTERNET Go to <https://css.olympiatrust.com/pxlogin> and enter the 12-digit control number shown your form of proxy.

EMAIL proxy@olympiatrust.com

FACSIMILE (403) 668-8307

MAIL Olympia Trust Company
PO Box 128, STN M
Calgary, AB T2P 2H6
Attn: Proxy Dept.

each, in accordance with the instructions on the form of proxy.

A proxy submitted by mail must be in writing, dated the date on which you signed it and be signed by you (or your authorized attorney). If such a proxy is being submitted on behalf of a corporate Warrantholder, the proxy must be signed by an authorized officer or attorney of that corporation, whose title should be indicated. A form of proxy executed by a person acting as attorney or in some other representative capacity should state such person's capacity following his or her signature and should be accompanied by the appropriate instrument evidencing qualification and authority to act. If a proxy submitted by mail is not dated, it will be deemed to bear the date on which it was sent to you.

If you are voting your Warrants by proxy, the completed and signed proxy form must be received by the Warrant Agent by 10:00 AM (Toronto time) on April 3, 2020 (the "**Proxy Cut-off**"), or if the Meeting is adjourned, not later than 48 hours, excluding Saturdays, Sundays and holidays of any adjournment of the Meeting.

Non-Registered Warrantholders

If you are a Non-Registered Warrantholder, you should follow your intermediary's instructions on how to vote your Warrants. Non-Registered Warrantholders should also refer to the discussion under "Voting Information – Non-Registered Warrantholders" in this Information Circular. The Corporation has distributed copies of the Meeting Materials to intermediaries for distribution to Non-Registered Warrantholders.

Quorum

Pursuant to the Warrant Indenture and subject to Article 7.11 of the same, the quorum for the Meeting consists of Warrantholder(s) present in person or by proxy and holding at least 10% of the aggregate number of all the then outstanding Warrants

Pursuant to the Warrant Indenture, if a quorum of the Warrantholders shall not be present within thirty (30) minutes from the time fixed for the Meeting, the Meeting shall stand adjourned to such day, being not less than 15 or more than 60 days later, and to such place and time as may be appointed by the Chairman of the Meeting.

PARTICULARS OF MATTERS TO BE ACTED UPON

Proposed Amendment of Warrant Indenture

The Warrant Indenture confers upon the Warranholders the power, exercisable by extraordinary resolution, to agree to any modification, abrogation, alteration, compromise or arrangement of the rights of the Warranholders under the Warrant Indenture, and also authorizes the Corporation and the Warrant Agent to enter into supplemental indentures containing such modification, abrogation, alteration, compromise or arrangement.

Given the power of the Warranholders to supplement the Warrant Indenture, at the Meeting, the Warranholders will be asked to consider, and if thought appropriate, to approve an Extraordinary Resolution (the "**Amendment Resolution**") to amend the Warrant Indenture to: (i) reduce the exercise price to C\$1.50 per Common Share; and (ii) provide that if the closing trading price of the Common Shares exceeds C\$1.87 for a period of 10 consecutive trading days on the Canadian Securities Exchange (the "**CSE**"), the expiry date of the Warrants will be accelerated to the date that is 30 calendar days after the date of such 10 trading day period; and (the "**Warrant Amendment**"). The full text of the Amendment Resolution is set out below under the heading "*Particulars of Matters to Be Acted Upon – Amendment Resolution*".

Background and Reasons for the Warrant Amendments

The Warrants

The Warrants were issued in connection with a private placement of special warrants of the Corporation, which closed on December 27, 2018 and March 14, 2019. The Warrants expire within twenty-four (24) months following the applicable closing date and currently have an exercise price of C\$3.90 per Common Share. The Common Shares have been trading on the CSE in the range of C\$3.00 to C\$0.79 from January 1, 2019 to December 27, 2019.

As at March 12, 2020, the closing market price of the Common Shares on the CSE is C\$0.74.

Benefits of Proposed Warrant Amendments

In considering whether to recommend the approval of the proposed Warrant Amendments and the Extraordinary Resolution to the Warranholders, the board of directors of the Corporation (the "**Board of Directors**") has given consideration to a number of factors including: (i) reducing the amount of convertible securities of the Corporation; (ii) allowing Warranholders to participate more effectively and efficiently in the equity upside of the Corporation; and (iii) simplifying the Corporation's capital structure.

The above discussion of the information and factors considered by the Board of Directors is not intended to be exhaustive but is believed by the Board of Directors to include the material factors considered by the Board of Directors in its decision to recommend the approval of the Extraordinary Resolution. The Board of Directors did not consider it practical, nor did it attempt, to quantify or otherwise assign relative weights to the foregoing factors that were considered in reaching its decision. In addition, in considering the factors described above, individual members of the Board of Directors may have given different weights to various factors and may have applied different analyses to each of the material factors considered by the Board of Directors. The members of the Board of Directors made their recommendation based upon the totality of the information presented to and considered by them.

Amendment Resolution

For the reasons described above, the Board of Directors of the Corporation unanimously recommends that Warrantheolders vote "FOR" the following Extraordinary Resolution, which must be approved by the holders of not less than 66 2/3% of the aggregate number of all the then outstanding Warrants represented at the Meeting in person or by proxy:

BE IT RESOLVED BY EXTRAORDINARY RESOLUTION THAT:

1. The Warrant Indenture ("**Warrant Indenture**") dated December 27, 2018 between Stem Holdings, Inc. (the "**Corporation**") and Olympia Trust Company, as warrant agent (the "**Warrant Agent**") and the warrants issued thereunder be amended (the "**Warrant Amendments**") as required to (i) reduce the exercise price to C\$1.50 per share of Common Stock of the Corporation (the "**Common Shares**"); and (ii) provide that if the closing trading price of the Common Shares exceeds C\$1.87 for a period of 10 consecutive trading days on the Canadian Securities Exchange, the expiry date of the Warrants will be accelerated to the date that is 30 calendar days after the date of such 10 trading day period;
2. The Warrant Amendments be and are hereby authorized and approved, and the Corporation and Warrant Agent be and are hereby authorized to execute and deliver a supplemental indenture which supplemental indenture incorporates the Warrant Amendments, and execution as aforesaid by both the Corporation and Warrant Agent shall be conclusive evidence of the approval of such supplemental indenture;
3. To the extent that any non-material amendments to the form of warrant certificate (the "**Warrant Certificate**") are necessary in connection with the Warrant Amendments, the Corporation and Warrant Agent be and are hereby authorized to approve such amendments to the Warrant Certificate, provided that such amendments, as determined by the Warrant Agent in its sole discretion, do not change the terms of the Warrants in any way that is adverse to the Warrantheolders, and the execution by the Warrant Agent and the Corporation of the amended Warrant Certificates shall be conclusive evidence of such approval;
4. The Warrant Agent is hereby authorized and directed to, on behalf of Warrantheolders, negotiate the final form, enter into, execute, under the corporate seal of the Corporation or otherwise, deliver or cause to be delivered or accept, as the case may be, any amending agreement or supplemental indenture or such other agreements and documents in order to give effect to the intent of these resolutions with such additions thereto, changes therein and deletions therefrom, if any, as such officer or director shall consider necessary or desirable and shall approve, such approval to be conclusively evidenced by his or her execution thereof;
5. Any one officer or director of the Corporation, be and he or she is hereby authorized and directed to negotiate the final form, enter into, execute, under the corporate seal of the Corporation or otherwise, deliver or cause to be delivered or accept, as the case may be, for and on behalf of the Corporation, any amending agreement or supplemental indenture or such other agreements and documents in order to give effect to the intent of these resolutions with such additions thereto, changes therein and deletions therefrom, if any, as such officer or director shall consider necessary or desirable and shall approve, such approval to be conclusively evidenced by his or her execution thereof; and
6. Notwithstanding that this resolution has been duly passed by Warrantheolders, the directors of the Corporation be, and they are hereby, authorized and empowered to abandon and

revoke this resolution at any time and to not proceed with the transactions contemplated by entering into a supplemental indenture, without further approval of the Warrantholders.

Warrantholder Approval

In order for the Extraordinary Resolution to be passed, it must be proposed at a meeting of Warrantholders duly convened for that purpose and held in accordance with the provisions of Article 7 of the Warrant Indenture, at which there are present in person or by proxy Warrantholders holding at least 10% of the aggregate number of all then outstanding Warrants and passed by the affirmative votes of Warrantholders holding not less than 66 2/3% of the aggregate number of all then outstanding Warrants represented at the meeting.

Unless otherwise directed, the management representatives named in the accompanying form of proxy intend to vote FOR the Extraordinary Resolution at the Meeting. The Board of Directors unanimously recommends that Warrantholders vote FOR the Warrant Amendments.

Recommendation of the Board of Directors

The Board of Directors has concluded the Warrant Amendments and Amendment Resolution are in the best interests of the Corporation, and as such, authorized submission of this Information Circular and the proposed Amendment Resolution to Warrantholders for approval.

OTHER BUSINESS

As of the date of this Information Circular, the Board of Directors does not know of any other matters to be brought before the Meeting, other than those set forth in the Notice of Meeting. If other matters are properly brought before the Meeting, the persons named in the enclosed proxy will vote the proxy on such matters in accordance with their best judgment.

DIRECTORS' APPROVAL

The contents and sending of this Information Circular have been approved by the directors of the Corporation.

ADDITIONAL INFORMATION

A full copy of the Indenture is available on the Corporation's SEDAR profile at www.sedar.com.