

**TERM SHEET  
STEM HOLDINGS, INC.  
PUBLIC OFFERING OF UNITS**

**December 15, 2020**

*An amended and restated preliminary short form prospectus containing important information relating to the securities described in this document has been filed with the securities regulatory authorities in all provinces of Canada (except Québec). A copy of the amended and restated preliminary short form prospectus, and any amendment, is required to be delivered with this document.*

**No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.** *The amended and restated preliminary prospectus is still subject to completion. There will not be any sale or acceptance of an offer to buy the securities until a receipt for the final short form prospectus has been issued. This document does not provide full disclosure of all material facts relating to the securities offered. Investors should read the amended and restated preliminary short form prospectus, final short form prospectus and any amendment, for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.*

- Issuer:** Stem Holdings, Inc. (the “Company”).
- Gross Proceeds:** Up to C\$● (up to C\$● million assuming the Over-Allotment Option (as hereinafter defined) is exercised in full) (the “Offering”).
- Issue:** Up to ● units (the “Units”) of the Company (up to ● Units assuming the Over-Allotment Option is exercised in full).
- Terms:** Commercially reasonable efforts basis subject to a formal agency agreement.
- Units:** Each Unit shall consist of one common share and one common share purchase warrant of the Company (each, a “Warrant”). Each Warrant shall be exercisable to acquire one common share of the Company (a “Warrant Share”) for a period of 24 months following the Closing Date (as hereinafter defined) at an exercise price of C\$0.68 per share, subject to adjustment in certain events.
- Issue Price:** C\$0.55 (the “Issue Price”).
- Over-Allotment Option:** The Company has granted the Agents (as defined below) an over-allotment option (the “Over-Allotment Option”) to arrange for the sale of up to an additional 15% of the Units at the Issue Price, which Over-Allotment Option is exercisable for a period for 30 days following the Closing Date.

- Selling Jurisdictions:** The Units will be offered in all provinces of Canada (except Québec) pursuant to a short form prospectus and in offshore jurisdictions, other than the United States, without the need to file a prospectus or registration statement.
- Listing:** It is a condition of the Offering that the Common Shares (including the Warrant Shares issuable upon exercise of the Warrants) are listed on the Canadian Securities Exchange.
- U.S. Non-Brokered Offering:** The Company is proposing to complete a non-brokered offering in the United States (the “U.S. Offering”) of up to C\$5 million of units (each comprised of one Common Share and one Warrant) on the same terms as the Offering. The Agents will not be acting as agents in respect of the U.S. Offering and will not be paid a fee in respect thereof
- Use of Proceeds:** The net proceeds from the Offering are expected to be used for working capital and for general corporate purposes.
- Eligibility:** Eligible for RRSP, RESP, RRIF, TFSA and DPSP accounts.
- Commission:** The Company shall pay to the Agents a cash fee equal to 7% (the “Agents’ Commission”) of the gross proceeds raised under the Offering, subject to a reduction to 1% for purchasers on the president’s list (the “President’s List”). In addition, the Company shall grant the Agents such number of brokers’ warrants (the “Broker Warrants”) as is equal to 7% of the number of Units issued and sold by the Company pursuant to the Offering, subject to a reduction to 3.5% for purchasers on the President’s List. Each Broker Warrant will be exercisable for a period of 24 months following the Closing Date to acquire one Common Share of the Company at an exercise price per share equal to the Issue Price, subject to adjustment in certain events.
- Agents:** Canaccord Genuity Corp. (“Canaccord Genuity”) shall act as sole book-runner and lead manager on behalf of a syndicate of agents to be named (together with Canaccord Genuity, the “Agents”).
- Closing Date:** On or about January •, 2021 (the “Closing Date”).