

STEM HOLDINGS, INC.

NOTICE OF MEETING

and

INFORMATION CIRCULAR

**MEETING OF HOLDERS OF 8.00% SENIOR UNSECURED CONVERTIBLE DEBENTURES
(THE "DEBENTURES")**

to be held on

November 29, 2023

with respect to

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

October 30, 2023

October 30, 2023

Dear Debentureholder:

You are invited to attend a meeting (the "**Meeting**") of holders (the "**Debentureholders**") of 8.00% senior unsecured convertible debentures (the "**Debentures**") of Stem Holdings, Inc. (the "**Corporation**") issued and outstanding under a debenture indenture dated December 27, 2018 between the Corporation and Olympia Trust Company, as supplemented by a first supplemental indenture dated as of March 6, 2020, as further supplemented by a supplemental indenture dated as of March 17, 2020, a second supplemental indenture dated April 9, 2020, a third supplemental indenture dated as of June 27, 2022, and as further supplemented from time to time (collectively, the "**Debenture Indenture**") to be held at 11:00 AM (Toronto time) on November 29, 2023 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 Debenture Indenture under which the Debentures were created.

The Debentures 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 Debentures mature seventy-two (72) months following the applicable closing date and have a conversion price of C\$0.10 per share of Common Stock of the Corporation (the "**Common Shares**"). On October 27, 2023, the closing price of the Common Shares on the Canadian Securities Exchange was C\$0.01 and the closing price of the Common Shares on the OTC was US\$0.006.

The board of directors of the Corporation has determined it to be in the best interests of the Corporation to amend the Debenture Indenture to: (i) reprice the Debentures from the current conversion price of C\$0.10 per Common Share to US\$0.02 per Common Share (the "**New Conversion Price**"); and (ii) permit the Corporation to force the conversion of the principal amount of the then outstanding Debentures and any accrued and unpaid interest thereon at the New Conversion Price at any time, in the sole discretion of the Corporation (collectively, the "**Debenture Amendments**").

Subject to and immediately following the passing of an extraordinary resolution approving the Debenture Amendments, the Corporation intends to convert the entire principal amount of the outstanding Debentures and any accrued and unpaid interest thereon at the New Conversion Price.

Pursuant to the Debenture Indenture, the Debenture Amendments must be approved by an extraordinary resolution which requires that: (a) Debentureholders holding at least 25% of the aggregate principal amount of all then outstanding Debentures are present in person or by proxy at the Meeting, and (b) Debentureholders holding not less than 66 2/3% of the aggregate principal amount of all then outstanding Debentures represented at the Meeting vote in favour of such extraordinary resolution. Regardless of the number of Debentures 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 Debentures 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,

"Matthew J. Cohen"

Matthew J. Cohen
Chief Executive Officer

STEM HOLDINGS, INC.

**NOTICE OF MEETING OF HOLDERS OF DEBENTURES
TO BE HELD ON NOVEMBER 29, 2023**

NOTICE IS HEREBY GIVEN that the meeting (the "**Meeting**") of the holders ("**Debentureholders**") of 8.00% senior unsecured convertible debentures (the "**Debentures**") of **STEM HOLDINGS, INC.** (the "**Corporation**") issued and outstanding under a debenture indenture dated December 27, 2018 between the Corporation and Olympia Trust Company, as supplemented by a first supplemental indenture dated as of March 6, 2020, as further supplemented by a supplemental indenture dated as of March 17, 2020, a second supplemental indenture dated April 9, 2020, a third supplemental indenture dated as of June 27, 2022, and as further supplemented from time to time (collectively, the "**Debenture Indenture**") will be held at 11:00 AM (Toronto time) on November 29, 2023 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 Debenture Indenture to: (i) reprice the Debentures from the current conversion price of C\$0.10 per share of Common Stock of the Corporation (the "**Common Shares**") to US\$0.02 per Common Share (the "**New Conversion Price**"); and (ii) permit the Corporation to force the conversion of the principal amount of the then outstanding Debentures and any accrued and unpaid interest thereon at the New Conversion Price at any time, in the sole discretion of the Corporation; and
- (b) to transact such other business as may properly come before the Meeting or any adjournment thereof.

Subject to and immediately following the passing of the Extraordinary Resolution approving the amendments to the Debenture Indenture, the Corporation intends to convert the entire principal amount of the outstanding Debentures and any accrued and unpaid interest thereon at the New Conversion Price.

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. Debentureholders are invited to attend the Meeting. Debentureholders holding Debentures as of October 30, 2023 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 11:00 AM (Toronto time) on November 27, 2023, 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 Debenture Indenture, any extraordinary resolution passed at the Meeting or any adjournment or postponement thereof will, if passed in accordance with the provisions of the Debenture Indenture, be binding upon all Debentureholders to which the resolution related, whether present or absent at the Meeting.

DATED this 30th day of October, 2023.

BY ORDER OF THE BOARD OF DIRECTORS

"Matthew J. Cohen"

Matthew J. Cohen
Chief Executive Officer

STEM HOLDINGS, INC.
INFORMATION CIRCULAR
RELATING TO THE MEETING OF HOLDERS OF
DEBENTURES
TO BE HELD ON NOVEMBER 29, 2023
VOTING INFORMATION

Solicitation of Proxies

The information contained in this information circular ("**Information Circular**") is furnished to the holders (the "**Debentureholders**") of 8.00% senior unsecured convertible debentures that matured on December 27, 2021 and March 14, 2022 (the "**Debentures**") of Stem Holdings, Inc. (the "**Corporation**") issued and outstanding under a trust indenture (the "**Original Indenture**") dated December 27, 2018 between the Corporation and Olympia Trust Company (the "**Trustee**") as supplemented by a first supplemental indenture dated as of March 6, 2020, as further supplemented by a supplemental indenture dated as of March 17, 2020, a second supplemental indenture dated April 9, 2020, a third supplemental indenture dated as of June 27, 2022, and as further supplemented from time to time (collectively, together with the Original Indenture, the "**Debenture Indenture**") in connection with the solicitation by management of the Corporation of proxies to be used at the meeting (the "**Meeting**") of the Debentureholders to be held at 11:00 AM (Toronto time) on November 29, 2023 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 the 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 Debentureholders in favour of the matters set forth in the Notice of the Meeting. The Corporation may pay brokers or other persons holding Debentures 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 Debentures 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 October 30, 2023, 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 Debentureholder has the right to appoint a person, who need not be a Debentureholder, other than the persons specified in such form of proxy to attend and act for and on behalf of such Debentureholder 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 Debentures Represented by Management Proxies

The persons named in the form of proxy accompanying this Information Circular will vote the Debentures 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 Debentures 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 Debentures represented by any proxy will be voted on such matters in accordance with the judgement of the person named in such proxy.

Non-Registered Debentureholders

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

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

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

A Non-Registered Debentureholder 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 Debentureholder by its intermediary.

How to Vote your Debentures

Registered Debentureholders

If you are a registered Debentureholder 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 Debentureholder, 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 Debentures by proxy, the completed and signed proxy form must be received by Trustee by 11:00 AM (Toronto time) on November 27, 2023 (the "**Proxy Cut-off**") before the time set for the Meeting, or if the Meeting is adjourned, not later than 48 hours, excluding Saturdays, Sundays and holidays of any adjournment of the Meeting.

Non Registered Debentureholders

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

Quorum

Pursuant to the Debenture Indenture and subject to Article 11.4 of the Original Indenture, the quorum for the Meeting consists of Debentureholder(s) present in person or by proxy and holding at least 25% of the aggregate principal amount of all the then outstanding Debentures.

Pursuant to the Debenture Indenture, if a quorum of the Debentureholders shall not be present within thirty (30) minutes from the time fixed for the Meeting, the Meeting shall stand adjourned to the same day in the next week (unless such day is not a Business Day (as defined in the Debenture Indenture) in which case it shall be adjourned to the next following Business Day thereafter).

PARTICULARS OF MATTERS TO BE ACTED UPON

Proposed Amendment of Debenture Indenture

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

Given the power of the Debentureholders to supplement the Debenture Indenture, at the Meeting, the Debentureholders will be asked to consider, and if thought appropriate, to approve an extraordinary resolution (the "**Amendment Resolution**") to amend the Debenture Indenture to: (i) reprice the Debentures from the current conversion price of C\$0.10 per share of Common Stock of the Corporation (the "**Common Shares**") to US\$0.02 per Common Share (the "**New Conversion Price**"); and (ii) permit the Corporation to force the conversion of the principal amount of the then outstanding Debentures and any accrued and unpaid interest thereof at the New Conversion Price at any time, in the sole discretion of the Corporation (collectively, the "**Debenture Amendments**"). The full text of the Amendment Resolution is set out below under the heading "*Particulars of Matters to Be Acted Upon – Amendment Resolution*".

Subject to and immediately following the passing of the Amendment Resolution approving the Debenture Amendments, the Corporation intends to convert the entire principal amount of the outstanding Debentures and any accrued and unpaid interest thereon at the New Conversion Price.

Information contained in this Information Circular should not be construed as legal, tax, accounting or financial advice and Debentureholders are urged to consult their own professional advisors in connection therewith.

Background and Reasons for the Debenture Amendments

The Debentures

The Debentures 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 Debentures matured seventy-two (72) months following the applicable closing date and currently have a conversion price of C\$0.10 per Common Share. On October 27, 2023, the closing price of the Common Shares on the Canadian Securities Exchange was C\$0.01 and the closing price of the Common Shares on the OTC was US\$0.006.

Benefits of Proposed Debenture Amendments

In considering whether to recommend the approval of the proposed Debenture Amendments and the Amendment Resolution to the Debentureholders, 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 and increasing the strength of the Corporation's balance sheet; (ii) allowing Debentureholders 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 Amendment 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 Debentureholders vote "FOR" the following Amendment Resolution, which must be approved by the holders of not less than 66 2/3% of the aggregate principal amount of all the then outstanding Debentures represented at the Meeting in person or by proxy:

BE IT RESOLVED BY EXTRAORDINARY RESOLUTION THAT:

1. The Debenture Indenture dated December 27, 2018 between Stem Holdings, Inc. (the "**Corporation**") and Olympia Trust Company, as trustee (the "**Trustee**") as supplemented by a first supplemental indenture dated as of March 6, 2020, as further supplemented by a supplemental indenture dated as of March 17, 2020, a second supplemental indenture dated April 9, 2020, a third supplemental indenture dated as of June 27, 2022, and as further supplemented from time to time (collectively, the "**Debenture Indenture**") and the 8.00% senior unsecured convertible debentures issued thereunder (the "**Debentures**") be amended (the "**Debenture Amendments**") as required to (i) reprice the Debentures from the current conversion price of C\$0.10 per share of Common Stock of the Corporation (the "**Common Shares**") to US\$0.02 per Common Share (the "**New Conversion Price**"); and (ii) permit the Corporation to force the conversion of the principal amount of the then outstanding Debentures and any accrued and unpaid interest thereof at the New Conversion Price at any time, in the sole discretion of the Corporation;
2. The Debenture Amendments be and are hereby authorized and approved, and the Corporation and Trustee be and are hereby authorized to execute and deliver a supplemental indenture which supplemental indenture incorporates the Debenture Amendments, and execution as aforesaid by both the Corporation and Trustee shall be conclusive evidence of the approval of such supplemental indenture;
3. To the extent that any non-material amendments to the form of debenture certificate (the "**Debenture Certificate**") are necessary in connection with the Debenture Amendments, the Corporation and Trustee be and are hereby authorized to approve such amendments to the Debenture Certificate, provided that such amendments, as determined by the Trustee in its sole discretion, do not change the terms of the Debentures in any way that is adverse to the holders (the "**Debentureholders**"), and the execution by the Trustee and the Corporation of the amended Debenture Certificates shall be conclusive evidence of such approval;
4. The Trustee is hereby authorized and directed to, on behalf of Debentureholders, 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 Debentureholders, 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 Debentureholders.

Debentureholder Approval

In order for the Amendment Resolution to be passed, it must be proposed at a meeting of Debentureholders duly convened for that purpose and held in accordance with the provisions of Article 11 of the Original Indenture, at which there are present in person or by proxy Debentureholders holding at least 25% of the aggregate principal amount of all then outstanding Debentures and passed by the affirmative votes of Debentureholders holding not less than 66 2/3% of the aggregate principal amount of all then outstanding Debentures represented at the meeting.

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

Recommendation of the Board of Directors

The Board of Directors has concluded the Debenture 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 Debentureholders 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 the 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 Debenture Indenture is available upon request by emailing Olympia Trust Company, at wilkinsona@olympiatrust.com. Additional information relating to the Corporation, including the Company's most recent financial statements, may be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.