



Stem Holdings, Inc. Issues Clarifying Release Announcing Strategic Acquisition of TJ's Gardens' Holding Companies

Award-Winning Brand and Operations to Augment Stem's Vertically-Integrated Portfolio

BOCA RATON, September 12, 2019 — Stem Holdings, Inc., (OTCQB: STMH CSE: STEM) (the “**Company**” or “**Stem**”) a leading vertically-integrated cannabis and hemp company with state-of-the-art cultivation, processing, extraction, retail, and distribution operations announced today that it has executed definitive merger agreements to acquire Consolidated Ventures of Oregon, Inc. and OPCO Holdings, Inc., (collectively, “**TJ's**”) which operate as TJ's Gardens, an award-winning cannabis brand, as well as other assets including Travis X James cannabis brand, Cannavore brand edible products, and Reefer Distribution. Based in Eugene, Oregon, TJ's is a licensed industry leader in cannabis and hemp cultivation and innovation processing, as well as other segments to include and not be limited to extraction, retail, and distribution. The acquisition is immediately accretive to Stem's business model and has generated an estimated US\$8 million in revenue over the last two years, with an estimated net profit margin of 12.5% during such time. Further financial information will be provided upon completion of TJ's audited financial statements, which is expected to be completed on or about November 1, 2019.

TJ's is highly recognized and well known for its award-winning, proprietary cannabis genetics, including TJ's Durban Poison strain, named *High Times Magazine's* “Best Tasting Bud” two years in a row. TJ's has two master growers, with extensive experience pertaining to organic soil and other mediums of cannabis and hemp agriculture. TJ's utilizes regenerative and sustainable cultivation methodology that allows our expert team to grow premium cannabis on a commercial production level for recreational, medical, and extraction applications. TJ's Gardens' industry-leading genetics, cultivation, processing, and production techniques will be integrated throughout Stem's global operations. Stem will seamlessly operate TJ's Gardens' enterprise utilizing TJ's current brands, its, management team and employees.

Pursuant to the terms of the merger agreement, Stem will acquire TJ's for a deemed aggregate purchase price of US\$12.5million. The purchase price will be satisfied by releasing 12,500,000 shares of Stem common stock, which are currently being held in escrow, to the beneficial owners of TJ's. As previously disclosed, certain beneficial owners of TJ's are also directors, officers and/or shareholders of Stem. The transaction remains subject to receipt of all necessary regulatory approvals. Closing of the transaction is expected to occur on or before December 31, 2019.

“We are excited to welcome the TJ’s team to Stem as we continue to build our portfolio of brands and deploy our operational excellence growth strategy,” said Mr. Adam Berk, Chief Executive Officer of Stem. “TJ’s has a deep heritage in the Pacific Northwest and boasts strong brand recognition with a broad portfolio of award-winning genetics, as well as premier cultivation, processing, distribution and retail assets. Stem has collaborated and partnered with TJ’s since 2017, and this acquisition now allows us to leverage our state-of-the-art operations to grow and extend the TJ’s brand and other assets,” he concluded.

“Today is a major milestone for TJ’s Gardens and we couldn’t be more pleased to join the Stem team,” said Mr. Travis Mackenzie, co-founder of TJ’s Gardens. “I started in the cannabis industry as a labor of love for my wife, who suffered from debilitating migraines after surviving an accident that resulted in a brain injury. Her neurologist strongly suggested she try medical cannabis, so I started growing a few plants for her. The cannabis from those plants proved effective for her pain management. This motivated me to help others with cannabis, and when I joined forces with my co-founder and veteran cannabis grower Mr. James Opreza, TJ’s was born.”

Mackenzie continued, “We believe strongly in the benefits of cannabis, and joining the Stem team is the next step in our evolution that will enable us to scale and grow our business,” he concluded.

The new subsidiary is a vertically integrated cannabis company, currently operating three licensed retail dispensaries located in Eugene and Portland, Oregon. In addition, TJ’s holds cultivation, extraction, processing, and distribution licenses for the organization’s three state-of-the-art facilities located in Eugene, Springfield and Mulino, Oregon, with a total footprint of over 88,000 sq. ft. of cultivation capacity for its cannabis flower products totaling more than 25,000 pounds per year.

ABOUT STEM HOLDINGS, INC.

As a vertically integrated cannabis company, Stem has positioned itself as a pioneer in the industry with its state-of-the-art cultivation, processing, extraction, retail and distribution operations. Stem owns cannabis facilities in Nevada, Oklahoma, and Oregon, and also participates in a research project in collaboration with Cornell University. Utilizing proprietary, sustainable cultivation techniques, Stem, or its affiliates, develop 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, and include cultivators TJ’s Gardens and Yerba Buena; retail operations Stem and TJ’s; infused product manufacturers Cannavore and Supernatural Honey; and a CBD company, Dose-ology. Stem’s mission in supporting the health and happiness of people and the safety of the planet is evident through the Company’s continued recognition for its community involvement, employee diversification, designation as a top place to work in cannabis, dedication to environmental causes and outstanding leadership in the cannabis industry.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This press release contains statements that 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

includes information regarding: (i) the timing of the completion of TJ's audited financial statements; (ii) the ability of Stem to integrate TJ's genetics, cultivation, processing, and production techniques throughout Stem's global operations; (iii) the ability of Stem to effectively integrate and utilize TJ's brands, management team and employees; (iv) the purchase price and closing date for the TJ's acquisition, together with expectations around the accretive nature of the TJ's acquisition to Stem; and (v) the expansion of Stem's market following the acquisition of TJ's and Stem's ability to scale its operations.

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; the ability of the Company to raise debt and equity capital in the amounts and at the costs that it expects; adverse changes in the public perception of cannabis; construction delays; 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 locate and acquire suitable companies, properties and assets necessary to execute on the Company's business plans; 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.

For further information, please contact:

Media Contact:

Mauria Betts

Director of Branding and Public Relations

(971) 266-1908

mauria@stemholdings.com

Investor Relations:

John Mills

ICR, LLC

(646) 277-1254

john.mills@ICRinc.com