



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

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20, rue queen ouest
Toronto ON M5H 3S8

IN THE MATTER OF
MOLECULE HOLDINGS INC.
PARTIAL REVOCATION ORDER

Under the securities legislation of Ontario (the Legislation)

Background

1. Molecule Holdings Inc. (the **Issuer**) is subject to a failure-to-file cease trade order (the **FFCTO**) issued by the Ontario Securities Commission (the **Principal Regulator**) on March 5, 2024.
2. The Issuer has applied to the Principal Regulator for a partial revocation order of the FFCTO (the **Partial Revocation Order**).

Interpretation

Terms defined in National Instrument 14-101 *Definitions* or in National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions* have the same meaning if used in this order, unless otherwise defined.

Representations

3. This decision is based on the following facts represented by the Issuer:
 - (a) The Issuer is a corporation existing under the federal laws of Canada and listed for trading on the Canadian Securities Exchange under the trading symbol “MLCL”.
 - (b) The Issuer’s head office is located at 591 Reynolds Rd., Lansdowne, Ontario K03 1L0.
 - (c) The Issuer is a reporting issuer in each of the provinces of Ontario, Alberta, British Columbia and Québec. The Issuer is not a reporting issuer in any other jurisdiction in Canada.
 - (d) The authorized share capital of the Issuer currently consists of:
 - (i) an unlimited number of common shares without par value (**Common Shares**), of which 97,781,903 are issued and outstanding.
 - (ii) an unlimited number of preferred shares, of which 9,313,447 are issued and outstanding;
 - (iii) 19,491,200 warrants exercisable into Common Shares at an exercise price of \$0.15 until dates ranging from July 30, 2024 to May 30, 2025;
 - (iv) 3,325,000 stock options exercisable into Common Shares at an exercise price of \$0.15 until June 2, 2024;



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- (v) 3,000,000 restricted share units (**RSUs**), all of which have vested and, upon settlement, entitle the holder to acquire one Common Share underlying each such RSU, a cash payment in lieu thereof, or a combination of both;
- (vi) 750 secured debentures issued on March 18, 2021 in the aggregate principal amount of \$750,000, bearing interest at 8-12% per annum, convertible into Common Shares at \$0.10 per Common Share, which matured on September 16, 2023, as amended on September 18, 2022, February 23, 2023 and April 11, 2023;
- (vii) 359 secured debentures originally issued as unsecured debentures on July 30, 2021 in the aggregate principal amount of \$359,000, bearing interest at 8% per annum, convertible into Common Shares at a price of \$0.10 per Common Share, which matured on March 31, 2024, as amended on April 11, 2023;
- (viii) 600 secured debentures issued on May 30, 2022 in the aggregate principal amount of \$600,000, bearing interest at 8-12% per annum, convertible into Common Shares at \$0.10 per Common Share, and maturing on September 18, 2024, as amended on April 11, 2023;
- (ix) 1,065 unsecured debentures issued on September 16, 2020 in the aggregate principal amount of \$1,065,000, bearing interest at 8% per annum, convertible into Common Shares at a price of \$0.20 per Common Share, which matured on September 16, 2023 (the **September 2020 Debentures**);¹
- (x) 1,055 unsecured debentures issued on July 30, 2021 in the aggregate principal amount of \$1,055,000, bearing interest at 8% per annum, convertible into Common Shares at a price of \$0.10 per Common Share, which matured on July 30, 2023 (the **July 2021 Debentures**); and
- (xi) 1,020 unsecured debentures issued on August 11, 2021 in the aggregate principal amount of \$1,020,000, bearing interest at 8% per annum, convertible into Common Shares at a price of \$0.10 per Common Share, which matured on August 11, 2023 (the **August 2021 Debentures**, and collectively with the September 2020 Debentures and the July 2021 Debentures, the **Unsecured Debentures**).
- (e) The FFCTO was issued due to the Issuer's failure to file its audited annual financial statements, annual management's discussion and analysis, and the certifications of the annual filings for the year ended October 31, 2023 (collectively, the **Annual Filings**).
- (f) Other than the failure to file the Annual Filings, as well as the Issuer's interim financial report, interim management's discussion and analysis, and certifications of the interim filings for the three months ended January 31, 2024 (collectively, the **Interim Filings**), the Issuer is not in

¹ The September 2020 Debentures were initially convertible into units consisting of one Common Share and one-half of one Warrant. However, the expiry date for any Warrants issued upon conversion of the September 2020 Debentures occurred on September 16, 2023 and therefore the conversion of the September 2020 Debentures will only result in the issuance of Common Shares.



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default of any of the requirements of the Legislation. The Issuer's SEDAR+ and SEDI profiles are up to date.

- (g) The Issuer is seeking a partial revocation of the FFCTO in order to complete the Amendment Transaction and the proposed Financing (each as defined below).

Proposed Amendment Transaction

- (h) Prior to the issuance of the FFCTO, the Issuer engaged in discussions to amend the terms of the Unsecured Debentures.
- (i) As of the date of the FFCTO, holders of approximately 90% of the aggregate principal amount of outstanding Unsecured Debentures had agreed to the terms of the proposed amendments (the **Amendments**).
- (j) The Issuer proposes to amend the terms of the Unsecured Debentures as follows:
- (i) to extend the original maturity dates of the Unsecured Debentures to the date on which the Amendments are completed and the Unsecured Debentures are converted into Common Shares (the **Closing Date**);
 - (ii) to reduce the original conversion prices of the Unsecured Debentures to \$0.02 per Common Share;
 - (iii) to provide each Unsecured Debenture holder with a 10% premium on the principal amount outstanding as of the Closing Date (the "**Premium**");² and
 - (iv) to issue to each Unsecured Debenture holder 0.4 of a Warrant for each \$0.02 outstanding in respect of principal, Premium and interest as at the Closing Date (collectively, the **Outstanding Amounts**), with each whole Warrant entitling the holder to purchase one Common Share at a price of \$0.05 per Common Share for a period of five years from the Closing Date, subject to adjustment.
- (k) On the Closing Date, following completion of the Amendments, each holder of Unsecured Debentures shall convert such holder's Unsecured Debenture, including all Outstanding Amounts, and the Issuer shall settle the Outstanding Amounts via the issuance to the holder of such number of Common Shares equal to the Outstanding Amounts divided by the New Conversion Price, subject to adjustment (the **Conversion**, and together with the Amendments, the **Amendment Transaction**).

² For illustrative purposes, if a Holder holds an Unsecured Debenture with \$1,000 in Principal outstanding, the Premium will increase the Principal such that the Debenture will have \$1,100 in Principal outstanding prior to completion of the Amendments (($\$1,000 * 0.1$) + \$1,000).



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Proposed Financing

- (l) Prior to the issuance of the FFCTO, the Issuer initiated exploratory conversations with potential investors (the **Potential Investors**) regarding a proposed private placement financing (the **Proposed Financing**).
- (m) The Potential Investors had preliminarily shown potential interest in the Proposed Financing, provided that the Issuer reorganized its capital structure in advance via the Amendment Transaction.
- (n) Although discussions regarding the Proposed Financing were preliminary prior to the issuance of the FFCTO, the Issuer reasonably expects to raise up to \$300,000 through the Proposed Financing through an offering of units at a price to be determined between \$0.01 and \$0.02 per unit, with each unit consisting of one Common Share and one whole common share purchase warrant, with each whole warrant entitling the holder thereof to purchase one Common Share at a price to be determined between \$0.01 and \$0.05 per Common Share for a period of five years from the closing date of the Proposed Financing.
- (o) The Issuer intends to use the proceeds of the Proposed Financing as follows:

Description	Expected Cost
Accounting, audit and legal fees (for preparation and filing of Annual Filings)	\$75,000
Regulatory, stock exchange, and late filing fees	\$25,158
Professional fees (for completion of Amendment Transaction and Proposed Financing)	\$25,000
Other expenses (including legacy accounts payable for professional fees and operational and contractual commitments, other operating expenses, and general corporate purposes)	Up to \$174,842
Total	Up to \$300,000

- (p) The Issuer reasonably believes that the proceeds from the Proposed Financing will be sufficient to complete the Annual Filings and Interim Filings and pay the related fees, and provide it with sufficient working capital to meet its obligations and continue its business during such period.
- (q) The Issuer currently expects to file its Annual Filings and Interim Filings prior to the end of July 2024.

General

- (r) It is expected that the proposed trades pursuant to the Amendment Transaction and the Proposed Financing would occur solely within Canada, with the vast majority of the holders of Unsecured Debentures and Potential Investors being located in the Province of Ontario.



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- (s) Following the issuance of the FFCTO, the Issuer halted discussions with the holders of Unsecured Debentures and with the Potential Investors regarding the Amendment Transaction and Proposed Financing.
- (t) The completion of the Amendment Transaction and Proposed Financing would be conditional on receipt of the partial revocation order, or a full revocation of the FFCTO.
- (u) The Issuer intends to rely on:
- (i) the ‘securities for debt’ exemption under subsection 2.14 of National Instrument 45-106 *Prospectus Exemptions* (NI 45-106) for the issuance of the Common Shares in settlement of the Outstanding Amounts in connection with the Amendment Transaction;
 - (ii) the ‘accredited investor’ exemption under subsection 73.3(2) of the *Securities Act* (Ontario), and the ‘family, friends and business associates’ exemption under subsections 2.5(1) and 2.6.1(1) of NI 45-106 for the issuance of the warrants in connection with the Amendment Transaction; and
 - (iii) the ‘accredited investor’ exemption under subsection 73.3(2) of the *Securities Act* (Ontario), and the ‘family, friends and business associates’ exemption under subsections 2.5(1) and 2.6.1(1) of NI 45-106 for the issuance of all securities in connection with the Proposed Financing.
- (v) Upon issuance of this order, the Issuer will issue a press release announcing the order and the intention to complete the Amendment Transaction and Proposed Financing. Upon completion of the Amendment Transaction and Proposed Financing, the Issuer will issue a press release and file a material change report. As other material events transpire, the Issuer will issue appropriate press releases and file material change reports as applicable.
- (w) Since the issuance of the FFCTO, there have not been any material changes in the business, operations or affairs of the Issuer that have not been disclosed to the public.
- (x) The Amendment Transaction and Proposed Financing will be completed in accordance with all applicable laws.

Order

4. The Principal Regulator is satisfied that a partial revocation order of the FFCTO meets the test set out in the Legislation for the Principal Regulator to make the decision.
5. The decision of the Principal Regulator under the Legislation is that the FFCTO is partially revoked solely to permit the Amendment Transaction and Proposed Financing.
6. This partial revocation order of the FFCTO is conditional upon the Issuer:
 - (a) obtaining, and providing upon request to the Principal Regulator, signed and dated acknowledgements from all participants in the Amendment Transaction and Proposed Financing, which clearly state that the securities of the Issuer acquired by the



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participant will remain subject to the FFCTO until a full revocation order is granted, the issuance of which is not certain; and

(b) providing a copy of the FFCTO and this partial revocation order to all participants in the Amendment Transaction and Proposed Financing.

7. This order will terminate on the earlier of the closing of (a) the Amendment Transaction and Proposed Financing, and (b) 90 days from the date hereof.

DATED this 3rd day of May 2024.

“Lina Creta”

Lina Creta
Manager, Division of Corporate Finance
Ontario Securities Commission

OSC File #: 2024/0150