

August 9, 2024

VIA SEDAR+ PORTAL

Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, Ontario
M5H 3S8

Attention: Applications Administrator

Dear Sirs/Mesdames:

Re: Molecule Holdings Inc. – Application for a Partial Revocation of a Failure-to-File Cease Trade Order pursuant to National Policy 11-207

Introduction

Further to our e-mail correspondence with Mr. Julius Jn-Baptiste beginning on July 26, 2024, we act as counsel to Molecule Holdings Inc. (the “**Issuer**” or “**Molecule**”), a reporting issuer in Ontario, Alberta, British Columbia, and Québec, and hereby submit this application (the “**Application**”) on the Issuer’s behalf. We respectfully request that this Application be reviewed on an expedited basis.

The Issuer is subject to a failure-to-file cease trade order (the “**FFCTO**”), which was issued by the Ontario Securities Commission (the “**Commission**”) on March 5, 2024 (the “**FFCTO Issuance Date**”), which prohibits the trading by any person or company of any securities of the Issuer in Canada, except pursuant to limited exceptions under the FFCTO. On May 3, 2024, the Commission issued a partial revocation order (the “**First Partial Revocation Order**”) to the FFCTO pursuant to section 34 of National Policy 11-207 - *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions* (“**NP 11-207**”).

The First Partial Revocation Order was deemed to terminate on August 1, 2024, being the earlier of (a) the closing of the Transaction, and (b) 90 days from May 3, 2024.

From the date the First Partial Revocation Order was issued to the date the First Partial Revocation Order was deemed to be terminated (the “**First Order Term**”), the Issuer has made considerable progress towards finalizing and the Transaction (as defined below), as further discussed in this Application. However, as of the date of this Application, the Transaction has not yet closed.

Accordingly, at this time, we hereby apply to the Commission pursuant to section 34 of NP 11-207 for a second partial revocation order (the “**Second Partial Revocation Order**”) to the FFCTO.

Representations

1. The Issuer is a corporation existing under the federal laws of Canada and listed for trading on the Canadian Securities Exchange (the “CSE”) under the trading symbol “MLCL”.

Amendment Transaction

2. Prior to the issuance of the FFCTO, the Issuer was engaged in discussions with the holders (the “**Holders**”) of certain unsecured debentures issued by the Issuer (“**Unsecured Debentures**”) to amend certain terms of the Unsecured Debentures that have the effect of (i) revising certain material terms of the Unsecured Debentures; and (ii) inducing the holders to concurrently convert the Unsecured Debentures into common shares in the capital of the Issuer (“**Common Shares**”), which would have the impact of satisfying the outstanding principal amount (the “**Principal**”) and accrued and unpaid interest (the “**Interest**”) owing pursuant to the Unsecured Debentures in full. Such discussions were halted following the issuance of the FFCTO, and then resumed during the First Order Term.
3. Following the issuance of, and prior to the deemed termination of the First Partial Revocation Order, the Issuer engaged with a majority of the holders of the Unsecured Debentures to discuss the proposed Amendments (as defined below).
4. As of the date hereof, there are currently an aggregate of 3,140 Unsecured Debentures outstanding, with each Unsecured Debenture consisting of \$1,000 in Principal, plus Interest, as follows:
 - a. 1,065 Unsecured Debentures (including Unsecured Debentures issued to brokers as compensation for services) issued on September 16, 2020 in the aggregate principal amount of \$1,065,000, bearing Interest at 8% per annum, convertible into units consisting of one Common Share and one-half of one Common Share purchase warrant (a “**Warrant**”), which matured on September 16, 2023 (the “**September 2020 Debentures**”);¹
 - b. 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 \$0.10 per Common Share, which matured on July 30, 2023; and
 - c. 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 \$0.10 per Common Share, which matured on August 11, 2023.
5. The proposed amendments to the Unsecured Debentures (the “**Amendments**”) are as follows:
 - d. Extending the original maturity dates of the Unsecured Debentures to the date that the Amendments and Conversion are completed (the “**Closing Date**”);
 - e. Reducing the original conversion prices of the Unsecured Debentures to \$0.02 per unit or Common Share (the “**New Conversion Price**”), as applicable;

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.

- f. Providing each Holder with a ten percent (10%) premium on the Principal Amount outstanding as of the Closing Date (the “**Premium**”);² and
 - g. Issuing to each Holder 0.4 of a Warrant (the “**Warrant Number**”) for each \$0.02 in Principal, Premium and Interest outstanding 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 (5) years from the Closing Date, with such number of Warrants to be issued shall equal to the Outstanding Amounts multiplied by the Warrant Number, subject to adjustment.
6. On the Closing Date, following completion of the Amendments, the Holder 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**”).
7. On the Closing Date, the Holders will have executed a debenture amending agreement (each, an “**Amending Agreement**”) as well as such other documentation as may be required upon request by the Issuer, acting reasonably, to facilitate and provide for the Amendment Transaction, including such documentation required to be delivered to the Holders in connection with NP 11-207 if the Partial Revocation Order is issued by the Commission.
8. The Issuer submitted a formal application dated February 20, 2024 to the CSE with respect to the Amendment Transaction. Prior to the issuance of the FFCTO, the Issuer responded to inquiries from the CSE with respect to the Amendment Transaction. Shortly thereafter, the CSE approved the completion of the Amendment Transaction and has granted the Issuer an exemption from the requirement to obtain securityholder approval to complete the Amendment Transaction.
9. The Amendment Transaction, if approved by relevant stakeholders, will serve the purpose of assisting the Issuer in reorganizing its capital structure in order to attract investment required to manage the growth of the business and settle amounts owing to creditors.
10. During the term in which the First Partial Revocation Order was in effect, the Issuer made progress with respect to completion of the Amendment Transaction, including receipt of executed amending and settlement agreements from certain holders of Unsecured Debentures. As of the date of this Application, no holder of Unsecured Debentures has indicated that they will not take part in the Amendment Transaction.
11. Notwithstanding the foregoing, the completion of the Amendment Transaction was delayed as a result of various unavoidable factors, including but not limited to:
 - h. The finalization of the terms of the Amendment Transaction with the Holders;
 - i. The preparation of lengthy and complex documentation to affect the Amendment Transaction, including the amendment and settlement of the Common Shares and Warrants, and the requirements to comply with applicable securities laws (including

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).

documentation related to prospectus exemptions and to ensure compliance with National Policy 12-202 *Revocation of a Compliance-Related Cease Trade Order* (“NP 12-202”));

- j. Difficulties in connecting with, and delays in receiving responses to correspondence with various Holders, likely as a result of summer travel;
 - k. Repeated conversations with Holders to confirm the complex documentation required in connection with the Amendment Transaction is appropriately completed;
 - l. Lengthy internal processes of various brokers acting as registered Holders, which has been further complicated by internal broker compliance concerns as a result of the FFCTO; and
 - m. The re-registration of a large percentage of Debentures subject to the Amendment Transaction as a result of the acquisition / combination of certain brokers, requiring all such Debentures to be re-registered and amendment documentation to be revised.
12. As a result of the above-noted factors, the Amendment Transaction was unable to be completed prior to the expiration of the First Partial Revocation Order. The Issuer has been actively working to resolve the above-noted issues, has received positive feedback and final documentation in correct form in response to its efforts, and thus anticipates that the Amendment Transaction will be completed within the next ninety (90) days.

Proposed Financing

13. Prior to the FFCTO, the Issuer initiated exploratory conversations with potential investors (the “**Potential Investors**”) regarding an interim private placement financing (a “**Proposed Financing**”, and together with the Amendment Transaction, the “**Transaction**”).
14. Prior to the FFCTO and during the First Order Term, the Potential Investors had preliminarily shown potential interest in a Proposed Financing, provided that the Issuer reorganized its capital structure in advance via the Amendment Transaction.
15. While discussions regarding the Proposed Financing were preliminary prior to the issuance of the FFCTO and during the First Order Term, the Issuer reasonably expects to raise approximately \$300,000 in the Proposed Financing. The preliminary terms discussed, while remaining subject to ongoing internal conversations, negotiations with Potential Investors, approval of the CSE, and market influences, included: an offering of units at a price to be determined between \$0.01 and \$0.02, with each unit consisting of one Common Share and one whole Warrant, with each whole Warrant entitling the holder thereof to purchase one Common Share at a price to be determined between \$0.01 to \$0.05 per Common Share for a period of five (5) years from the closing date of the Proposed Financing.
16. The Proposed Financing is intended to improve the Issuer’s financial situation during, and following, the period that the FFCTO remains in effect.
17. The Issuer intends to use the proceeds, if any, of the Proposed Financing as follows:

Description	Expected Cost
Accounting, audit and legal fees (for preparation and filing of annual financial statements, management’s discussion and analysis and	\$75,000



related officer certifications for the year ended October 31, 2023 (collectively, the “ Annual Filings ”))	
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

- n. pay professional fees in the approximate aggregate amount of \$75,000.00 to its auditors, accountants, lawyers and other service providers, as well as filing fees in the approximate amount of \$20,358.00 to \$27,358.00 (as further described in Paragraph 17 below) to be incurred in preparing and filing its annual financial statements, management’s discussion and analysis and related officer certifications for the year ended October 31, 2023 (collectively, the “**Annual Filings**”); and
 - o. pay professional fees owing in connection with the Transaction in the approximate aggregate amount of \$25,000.00;
- with the balance of the expected proceeds, if any, to be directed towards:
- p. fulfilling its operational and contractual commitments, and
 - q. satisfying its operating expenses to ensure the continuity of the Issuer’s business during such time.
18. The Issuer reasonably believes that the proceeds from the Proposed Financing will be sufficient to complete the Annual Filings and pay the related fees, and provide it with sufficient working capital to meet its obligations and continue its business during such period.

The Issuer currently expects to file its Annual Filings prior to the end of 2024.

- 19. Due to the delays set out above in connection with the Amendment Transaction, the Issuer was unable to significantly advance the Proposed Financing during the First Order Term.
- 20. The Proposed Financing is expected to be completed following completion of the Amendment Transaction.

General

- 21. It is expected that the proposed trades pursuant to the Transaction would occur solely within Canada, with the vast majority of the Holders and Potential Investors being located in the Province of Ontario.

22. As a result of the FFCTO, the Issuer halted discussions with the Holders and the Potential Investors regarding the Transaction. Following the receipt of the First Partial Revocation Order, the Issuer resumed such discussions, but has once again halted them following the expiration of the First Partial Revocation Order.
23. The completion of the Transaction would be conditional on receipt of the Second Partial Revocation Order, or a full revocation of the FFCTO.
24. The Issuer intends to rely on:
 - r. 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;
 - s. the (i) ‘accredited investor’ exemption under subsection 73.3(2) of the *Securities Act* (Ontario); and (ii) ‘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
 - t. the (i) ‘accredited investor’ exemption under subsection 73.3(2) of the *Securities Act* (Ontario); and (ii) ‘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.
25. There are no revocation applications of the Issuer currently in progress in any other jurisdiction.
26. The proposed trades are not the result of a decision by a court.
27. The form of Second Partial Revocation Order enclosed with this Application contains language that the order is conditional upon the Issuer (together, the “**Conditions**”):
 - u. obtaining, and providing upon request to the Commission, signed and dated acknowledgements from all participants in the Transaction, which clearly state that the securities of the Issuer acquired by the participant will remain subject to the FFCTO until a full revocation order is granted, the issuance of which is not certain; and
 - v. providing a copy of the FFCTO and the Second Partial Revocation Order to all participants in the Transaction

which, if applicable, such Conditions shall be satisfied together with (A) the execution of the Amending Agreements in connection with the Amendment Transaction; and (B) the execution of subscription agreements in connection with the Proposed Financing.

Decision Sought

We request that the Commission issue the Second Partial Revocation Order to permit the Issuer to complete the Transaction. We submit that the Second Partial Revocation Order is aligned with the policy purpose of Division 2 of NP 12-202, which is to allow issuers to complete certain transactions involving the trade of securities while a cease trade order is in effect in order to allow the business to continue as a going-concern. We view the Transaction as clearly within this purpose given the completion of the Amendment Transaction will allow the Issuer to recapitalize in order to complete the Proposed Financing, so that the Issuer can raise sufficient funds to file its outstanding continuous disclosure documents and continue to operate its

business. We also confirm that that the Issuer reasonably anticipates having sufficient resources after the Transaction to bring its continuous disclosure and fees up to date.

Enclosures

In support of this application, and as required by subsection 34(1)(d) and subsection 36(1)(c) of NP 11-207, we enclose the following:

- a copy of the Issuer's executed Verification and Authorization Statement certifying as to the truth of the facts contained in this Application and Aird & Berlis LLP's authority to prepare and file this Application; and
- a draft form of the Second Partial Revocation Order in the format set out in Annex F to NP 11-207, which form provides for the Conditions.

Please direct any questions in connection with this application to the attention of the undersigned. We look forward to hearing from you at your earliest convenience.

Yours very truly,

AIRD & BERLIS LLP

(signed) "Ryan Cohen"

Ryan Cohen
Encl.

Cc: Sherri Altshuler (Partner, Aird & Berlis LLP)
André Audet (Chair and Interim CFO)
David Reingold (President, CEO and Director)
Alberta Securities Commission
British Columbia Securities Commission
Autorité des marchés financiers

