**IN THE UNITED STATES BANKRUPTCY COURT**
**FOR THE DISTRICT OF DELAWARE**

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| In re:<br><br>MOLECULAR TEMPLATES, INC., *et al.*,[1]<br><br>Debtors. | Chapter 11<br><br>Case No. 25-10739 (BLS)<br><br>(Joint Administration Requested) |

**DECLARATION OF CRAIG JALBERT IN SUPPORT OF DEBTORS' CHAPTER 11 PETITIONS AND FIRST DAY MOTIONS**

I, Craig Jalbert, hereby declare, under penalty of perjury, as follows:

1. I am the sole Director, President, Chief Executive Officer, Treasurer, and Chief Financial Officer of Molecular Templates, Inc. ("Molecular Templates" or "MTEM") and its affiliated debtor and debtor in possession (together, the "Debtors") in the above-captioned chapter 11 cases.

2. I have held my current position with the Debtors since January 1, 2025. I was appointed by Molecular Templates' previous board for the purpose of assisting with a wind-down of the Debtors' business affairs to the fullest extent permitted by law. I have over 30 years of experience in restructuring and bankruptcy. Since 1987, I have served as a principal of the Foxborough, Massachusetts accounting firm of Verdolino & Lowey, P.C. During that time, I have focused my practice on distressed businesses and have served, and continue to serve, in the capacities of officer and director for numerous firms in their wind-down phases. My practice

[1] The Debtors in these chapter 11 cases, along with the Debtors' federal tax identification number are: Molecular Templates, Inc. (9596) and Molecular Templates OpCo, Inc. (6035). The Debtors' mailing address is: 124 Washington Street, Ste. 101, Foxboro, MA 02035. All Court filings can be accessed at: https://www.veritaglobal.net/MolecularTemplates.



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includes providing distressed companies with business advisory, tax planning, accounting, and other bankruptcy related services. I have also been a member of the American College of Bankruptcy since 2013.

3. On the date hereof (the "Petition Date"), the Debtors commenced these chapter 11 cases by filing voluntary petitions for relief with the United States Bankruptcy Court for the District of Delaware (the "Court") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). I submit this declaration (this "Declaration") to assist the Court and parties in interest in understanding the circumstances that compelled the commencement of these chapter 11 cases and in support of the Debtors' petitions for relief under the Bankruptcy Code.

4. All facts set forth in this declaration (the "Declaration") are based on: (a) my personal knowledge, (b) information obtained from the Debtors' former employees, contractors, or advisors, (c) my review of relevant documents, or (d) my opinion, based on my overall professional experience, in light of my personal knowledge of the Debtors' business affairs and financial condition. I am over the age of eighteen, and I am authorized to submit this Declaration on behalf of the Debtors. If called as a witness, I could and would competently testify to the matters set forth herein based on the foregoing.

5. Concurrently with this Declaration, the Debtors have filed various motions and applications seeking immediate or expedited relief (collectively, the "First Day Motions") to minimize the adverse effects of the Debtors' filing for chapter 11 protection, and to enhance the Debtors' ability to maximize value for the benefit of their estates and creditors. As further discussed below, I am familiar with the contents of each First Day Motion and I believe the Debtors would suffer immediate and irreparable harm absent the limited relief sought in the First Day Motions.

## INTRODUCTION

6. The Debtors enter bankruptcy with the goal of preserving their innovative technology platform and therapeutic candidates for the treatment of various diseases and, therefore, maximizing the value of their assets.

7. Molecular Templates is a clinical-stage biopharmaceutical company founded in 2001 that has focused on discovering and developing novel, targeted biologic therapeutics. In particular, Molecular Templates specializes in developing proprietary "engineered toxin bodies" ("ETBs"), a next-generation biologic platform designed to treat cancer and other diseases. The ETBs that Molecular Templates has developed can target cancer in unique ways with the potential to overcome tumor resistance mechanisms.[2]

8. Like other clinical-stage biotechnology companies, the Debtors' activities have required large amounts of up-front capital investment. Since their inception, the Debtors have operated at a loss and devoted substantially all of their resources to building their proprietary biologic platform and advancing development of their portfolio of programs, through developing and protecting their intellectual property, conducting research and development activities, organizing and staffing the Debtors, business planning, raising capital, and providing general and administrative support for these operations.

9. As a clinical-stage biotechnology company, the Debtors face risks and uncertainties including, but not limited to, technical risks associated with research, development and manufacturing of product candidates, development by competitors of new technological

[2] Tumor resistance mechanisms refers to the various strategies or biological processes that cancer cells use to evade or withstand treatments designed to kill them, such as chemotherapy, radiation therapy, and immunotherapy. These mechanisms allow tumors to survive, proliferate, and continue growing despite the presence of therapies aimed at eliminating them.

innovations, dependence on key personnel, protection of proprietary technology, compliance with government regulations, and the ability to secure additional capital to fund operations.

10. In the post-COVID-19 pandemic period, these risks and uncertainties were exacerbated by a confluence of systemic factors, including rising interest rates and a general reduction in valuation of clinical-stage public biotechnology companies. Despite several attempts to raise additional capital and market and sell the Debtors' assets over the past two years, as well as multiple efforts to downsize their workforce and reduce their slate of active projects, the Debtors have been unable to consummate a transaction or develop a viable product that would allow them to continue as a going concern.

11. Starting in March 2023, the Debtors engaged in three successive rounds of prepetition marketing of their assets and exploring strategic alternatives. However, none of these marketing processes yielded a viable buyer or sale transaction. While the Debtors were able to raise additional capital in 2023 and 2024 through two private placement equity offerings, these capital raises came in at well below what had been initially targeted. On top of this, in June 2024, one of the Debtors' most significant partners, Bristol Myers Squibb, terminated their multi-year pre-clinical collaboration with the Debtors, further casting the Debtors' future in doubt.

12. As a consequence of all these circumstances, towards the latter end of 2024, the board moved towards a dissolution of the company. On December 31, 2024, Molecular Templates's board resigned and the Debtors terminated all of their existing employees. I was appointed as the sole board member and officer and tasked with the dissolution of the Debtors.

13. In the beginning of 2025, discussions began to take place between the Debtors and K2 HealthVentures LLC ("K2") to discuss potential value-maximizing alternatives to a state law dissolution, including the potential funding of a chapter 11 plan process by K2. After several

weeks of negotiations, and after considering a number of different wind-down alternatives, the Debtors, at my direction, began to outline a comprehensive restructuring support agreement with K2 (the "RSA Term Sheet") that would restructure the Debtors' existing debt and effectuate a debt-for-equity transaction as part of a chapter 11 plan process.

14. As part of the RSA Term Sheet, K2 has also agreed to fund these chapter 11 cases with a $12 million senior secured debtor-in-possession financing facility. At this time, the Debtors also have an agreement with K2 with respect to consensual use of cash collateral, whose liens attach to the Debtors' cash. As discussed in further detail below, given the Debtors' dire shortage of cash on hand, the absence of this additional postpetition financing would cause immediate and irreparable harm to the Debtors, their estates and creditors, and other parties in interest, as the Debtors would otherwise be required to begin to wind-down their operations immediately and in a comparatively disorderly fashion.

15. In sum, the Debtors' decision to file these chapter 11 cases and pursue a plan confirmation process with the support and funding of their senior secured lender, K2, is informed by the difficult set of circumstances the Debtors face, particularly in light of their seizure of operations, liquidity crunch, and their multiple rounds of unsuccessful prepetition marketing efforts. The Debtors engaged in careful deliberations and their decision was made only after alternative options were first considered and it became clear that a chapter 11 plan confirmation process, backed by K2, represented the clearest path to the maximization of the Debtors' remaining value. Although the many headwinds described above limited the Debtors' out of court options, the Debtors have determined that the filing of these chapter 11 cases is in the best interest of the Debtors, their estates, and their stakeholders.

## CORPORATE BACKGROUND

### I. General Background, History, and Research Programs

16. Molecular Templates is a clinical-stage biopharmaceutical company founded in 2001 that has focused on discovering and developing novel, targeted biologic therapeutics. In particular, Molecular Templates specializes in developing proprietary "engineered toxin bodies" ("ETBs"), a next-generation biologic platform designed to treat cancer and other diseases. The ETBs that Molecular Templates has developed can target cancer in unique ways with the potential to overcome tumor resistance mechanisms. Several of Molecular Templates's ETBs have been tested in early clinical trials in cancer patients that no longer responded to any available treatment. In these early studies, the ETBs showed signs of putting patients into remission or halting the progression of a patient's cancer.

17. Molecular Templates utilizes its proprietary biologic drug platform to design and generate ETBs, which it believes may be beneficial in treating cancer patients who have been otherwise resistant to traditional cancer treatments. ETBs use a genetically engineered version of bacterial protein that is designed to enter cells and shut down the cells' ability to synthesize protein. When genetically fused to fragments of a particular type of cell (known as "antibody domains"), ETBs can identify and target the types of cells that share the ETB's antibody domain. In other words, ETBs can be used to target and kill specific types of cells. The ETBs that Molecular Templates develops serve as a template for a novel form of therapeutics. The antibody domains may be substituted with other antibody domains that have different characteristics or

specifications, which allows for the possibility of rapidly expanding the potential uses for ETBs and developing new drugs to target a variety of cancers.

18. Notably, Molecular Templates has created ETBs that are less likely to result in side effects like capillary leak syndrome, which is a common side effect of chemotherapy.[3] Molecular Templates has conducted multiple clinical trials with four different compounds derived from the next-generation ETB scaffold, involving, in total, over one hundred patients. Molecular Templates observed no instance of capillary leak syndrome or other innate immunities in any of these patients.[4] In addition, in both animal trials and clinical trials, ETBs have demonstrated utility against chemotherapy-resistant cancers.

19. The Debtors have advanced several promising programs at various stages of development, including MT-0169, (an ETB targeting the CD38 protein on myeloma cells), MT-6402 (an ETB targeting immunosuppressive cells expressing PD-L1 in the tumor microenvironment), and MT-8421 (an ETB targeting immunosuppressive cells expressing CTLA-4 in the tumor microenvironment) for clinical trials. In early clinical studies, these ETBs have shown clinical benefit (*i.e.*, induced remission or halted disease progression) in cancer patients who have exhausted all other treatment options. In particular, MT-0169 has shown safety and efficacy in a small phase I study in relapsed or refractory multiple myeloma where it also demonstrated deep depletion of CD38+ immune cells. Because CD38+ immune cells are involved

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[3] Capillary leak syndrome is a rare and serious condition where fluid and proteins leak out of the small blood vessels (capillaries) into surrounding tissues, resulting in dangerously low blood pressure. Capillary Leak Syndrome, NATIONAL CANCER INSTITUTE, https://www.cancer.gov/publications/dictionaries/cancer-terms/def/innate-immunity, (last visited Mar. 18, 2025).

[4] An innate immunity is the initial response of the body's immune system to a harmful or foreign substance. Innate Immunity, NATIONAL CANCER INSTITUTE, https://www.cancer.gov/publications/dictionaries/cancer-terms/def/innate-immunity, (last visited Feb. 25, 2025).

in driving multiple autoimmune diseases like lupus or autoimmune hepatitis, MT-0169 can be rapidly advanced into the autoimmune setting where its unique mechanism of action (direct cell-kill via ribosome inhibition) may result in better immune cell clearance than current approaches.

20. From June 23, 2017 to December 26, 2024, Molecular Templates, Inc. was a publicly traded company with its shares listed on the Nasdaq Global Select Market (ticker symbol: MTEM). Molecular Templates, Inc. is a corporation organized under the laws of the State of Delaware and, until December 31, 2024, maintained its headquarters in Austin, Texas, with additional offices, clinical development operations, and research laboratory space in both Texas and New York.

21. Additional information regarding the Debtors' development and research programs is available in Molecular Templates's most recent Annual Report on Form 10-K, filed on March 29, 2024, and in its most recent Quarterly Reports on Form 10-Q filed on May 15, 2024 and August 14, 2024.

## II. Financing History

### A. Recent Loans and Equity Offerings

22. Over their history, the Debtors have financed their cash needs through a combination of equity offerings, debt financings, development collaboration agreements, research grants, strategic alliances and licensing arrangements, and other sources. Below is a description of some of the most significant financing events in the Debtors' recent history.

23. In August 2017, the Debtors went public after completing a reverse merger with Threshold Pharmaceuticals, Inc., another biotechnology company focused on discovery and development of biologic therapeutics for the potential treatment of cancer. The Debtors received

approximately $60 million in net proceeds following the closing of the merger and related equity investment private placements.

24. Raising additional funds through subsequent equity offerings has become increasingly difficult, especially for biotechnology companies, in the post-COVID-19 period. However, in both 2023 and 2024, the Debtors were still able to consummate two significant private placement transactions.

25. On July 12, 2023, the Debtors issued: (i) 1,617,365 shares of the Debtors' common stock at a price of $7.05 per share and (ii) pre-funded warrants exercisable for up to 1,222,100 shares of the Debtors' common stock at a price of $7.035 per underlying share (together, the "July 2023 Private Placement"). The Debtors received approximately $20 million in gross proceeds in connection with the closing of the initial tranche and approximately $18.4 million in net proceeds, following payment of related offering expenses.

26. On March 28, 2024, pursuant to an amended and restated July 2023 Private Placement, the Debtors issued, as a second tranche under the July 2023 Private Placement, a further (i) 1,209,612 shares of the Debtors' common stock for a purchase price of $2.35 per share and (ii) common stock warrants to purchase up to 7,340,342 shares of the Debtors' common stock at an exercise price of $2.35 per share. The Debtors received approximately $9.5 million of gross proceeds in this second tranche, and net proceeds of approximately $8.8 million following payment of related offering expenses.

27. On the debt side of the Debtors' recent capital raising efforts, in May 2020, the Debtors entered into a loan and security agreement with K2 (the "K2 Initial Loan") in the amount of $45 million. The K2 Initial Loan was drawable in three tranches and had a maturity date of June 1, 2024, with interest accruing at an annual rate equal to the greater of 8.45% or the sum of

the Prime Rate plus 5.2%. The Debtors only drew down $35 million of the K2 Initial Loan, with the remaining tranche of $10 million lapsing as of December 31, 2021.

28. On June 16, 2023, the Debtors entered into a contingent value right agreement with K2 (the "CVR Agreement") which fully discharged the Debtors' outstanding loan obligations under the K2 Initial Loan, in exchange for: (1) an aggregate repayment in cash of $27.5 million, (2) the granting of a contingent value right to K2, and (3) the issuance of a warrant to purchase shares of common stock to K2. The contingent value rights require payments to K2 if certain specified events occur, as defined in the CVR Agreement. The payment due upon any such event occurring is capped at an initial amount of approximately $10,000,000, which can increase, based on a set formula, to a maximum payment obligation of approximately $26,000,000 (the "Remaining Value"). In addition, to protect its interest in any potential payment of the Remaining Value, K2 was granted a senior security interest in substantially all of the Debtors' assets. The Debtors are also obligated to pay K2 an additional $2,500,000 upon any change in control, as defined in the CVR Agreement.

**B. Partnership with Bristol Myers Squibb & Other Grant Agreements**

29. The Debtors have also historically raised significant funds through collaboration agreements and through the receipt of research and development grants.

30. In February 2021, the Debtors entered into a collaboration with Bristol Myers Squibb ("BMS"), pursuant to which BMS committed up to $1.3 billion, with $70 million paid upfront to the Debtors, to develop novel ETBs in collaboration with the Debtors. Pursuant to the agreement, Molecular Templates conducted research activities for the discovery of ETBs for multiple targets selected by BMS. BMS received the option to obtain an exclusive worldwide license to develop and commercialize ETBs directed to each selected target.

31. Additionally, Molecular Templates has received two substantial grants, most recently extended in 2023, from the Cancer Prevention and Research Institute of Texas ("CPRIT"), in an aggregate amount totaling over $35 million. These grants have allowed for the clinical development of two agents: MT-3724 for lymphoma and MT-0169 for multiple myeloma.

## III. The Debtors' Prepetition Corporate and Capital Structure

32. A summary chart depicting the Debtors' corporate structure is attached hereto as Schedule 1.

33. As of the Petition Date, the Debtors have approximately $29,416,746 in outstanding borrowings, consisting of a senior secured amended and restated CVR agreement and bridge loan, in addition to trade and other unsecured claims.

| Type of Debt | Maturity | Amount Outstanding |
|---|---|---|
| Senior Secured Amended & Restated CVR Agreement | February 1, 2026 | $24,300,515 |
| Senior Secured Prepetition Bridge Loan | April 21, 2025 | $1,366,231 |
| Trade, Lease, & Other Unsecured Claims | N/A | $3,750,000 |
| **Total** | | $29,416,746 |

### A. Senior Secured Amended & Restated CVR Agreement

34. As discussed above, on June 16, 2023, the Debtors entered into the CVR Agreement which fully discharged the Debtors' then outstanding loan obligations to K2 in exchange for the payment rights set forth in the CVR Agreement. The Remaining Value that remains owing to K2 on account of the CVR Agreement is secured by substantially all of the Debtors' assets.

Additionally, on February 20, 2025, the Debtors amended and restated the CVR Agreement, to among other things, extend the maturity date.

**B. Senior Secured Prepetition Bridge Loan**

35. On February 20, 2025, the Debtors entered into a prepetition secured loan (the "Prepetition Bridge Loan") with K2 to provide the Debtors with approximately $560,000 worth of liquidity secured by substantially all of the Debtors' assets, which principal amount was increased to $915,000 with the consent of the parties to reflect additional liquidity needs in the period leading up to the Petition Date. The Prepetition Bridge Loan has a maturity date of April 21, 2025 and bears interest at a fixed annual rate of 13.5%. As of the Petition Date, the Debtors had just over $1,366,231 in principal and interest owing on the Prepetition Bridge Loan.

**C. Trade, Lease, & Other Unsecured Claims**

36. In addition to the Debtors' secured debt, the Debtors estimate that, as of the Petition Date, they have approximately $3,750,000 in unpaid trade and other ordinary course obligations.

**D. Equity Interests**

37. As noted above, until December 26, 2024, Molecular Templates, Inc. was a publicly traded company with its shares listed on the NASDAQ Global Select Market (ticker symbol: "MTEM").

38. The authorized capital stock of Molecular Templates consists solely of: (i) 150,000,000 shares of common stock, par value $0.001 per share (the "Shares"), and (ii) 250 shares of preferred stock, par value $0.001 per share (the "Preferred Shares"). As of September 30, 2024, Molecular Templates had 6,583,880 Shares outstanding, and 250 Preferred Shares were outstanding.

## IV. Events Leading to the Chapter 11 Cases

39. Pharmaceutical and biotechnology product development is highly speculative because it entails substantial upfront capital expenditures and significant risk that any potential product candidate will fail to demonstrate adequate efficacy or an acceptable safety profile, obtain regulatory approval, or become commercially viable. Product development also includes significant research and development costs incurred in the development of product candidates.

40. As an early-stage biotech company, the Debtors have incurred losses each year since their inception, with the exception of the first quarter of 2023 and the first quarter of 2024. The Debtors have devoted almost all of their financial resources to research and development, including preclinical development activities and preparing for and conducting clinical trials of their product candidates. The total costs to advance any of the Debtors' product candidates to marketing approval in even a single jurisdiction is substantial and difficult to accurately predict. Because of the numerous risks and uncertainties associated with the development of drug products, the Debtors are unable to accurately predict the timing or amount of increased expenses or when, or if, the Debtors will be able to begin generating revenue from the commercialization of their products or achieve or maintain profitability.

41. Despite management's best efforts to stabilize operations, the Debtors' business prospects have steadily and significantly declined in recent months and years as biotechnology equity markets have continued to erode. Access to capital for biotechnology companies in general, and the Debtors in particular, has become substantially more difficult in the post-COVID-19 pandemic period. Although clinical results across the Debtors' pipeline have been generally positive, the results were early and did not show overwhelming signs of clinical efficacy. At the same time, the Debtors' continual need for significant cash resources to execute their business plan

and advance clinical development of their pipeline candidates asserted continuing liquidity pressure on the company's operations.

42. The Debtors' ability to execute their business plan and advance clinical development of pipeline candidates was further exacerbated by a confluence of systemic factors as well, including: (1) rising interest rates; (2) a general reduction in the valuation of publicly-traded biotechnology companies (particularly early-stage oncology-focused companies) in the post-COVID-19 period; (3) the cash-intensive nature of developing pipeline clinical candidates in the oncology space; and (4) uncertainty around the 2024 presidential election that created, among other things, an increasingly uncertain regulatory environment. Additionally, effective as of June 13, 2024, BMS terminated its multi-year pre-clinical collaboration with the Debtors. This further diminished the Debtors' standing and eroded their access to capital.

**A. Internal Reorganization & Reprioritization**

43. As a result of the circumstances described above, in March 2023, the Debtors began to downsize their operations, re-focusing and re-prioritizing their slate of programs in light of the adverse economic headwinds the Debtors were facing. To bring down costs, the Debtors started by reducing their workforce by 50%, from 222 employees to 111 employees. On the clinical side of their work, the Debtors discontinued the development of MT-511, a drug candidate targeting the HER2 receptor, and narrowed their focus to their clinical-phase PD-L1, CTLA-4 and CD38 candidates.[5] On the preclinical side of the Debtors' work, the company pivoted to focusing on its ongoing collaborations, especially with BMS.

[5] A HER2 receptor is a protein that is found on the surface of certain cells, particularly in certain types of cancers, like breast cancer. It is part of a larger family of receptors called epidermal growth factor receptors (EGFR) that play a role in regulating cell growth, survival, and differentiation.

44. Despite these internal reorganizations, the company experienced further adverse circumstances and continued to experience liquidity pressures. For example, in April 2023, MTEM's CD38-directed cancer candidate was hit by a two-month-long FDA hold that only lifted at the start of June 2023. Additionally, in June 2023, the Debtors further reduced their workforce by an additional 44%.

45. Despite these significant cost-cutting measures and efforts at internal restructuring and reprioritization, the Debtors' available cash on hand continued to steadily diminish. On April 11, 2024, the Debtors further reduced their workforce by approximately 30%. In the absence of an asset sale, financing, or other capital-raising transaction, by the end of 2024, the Debtors' cash on hand became insufficient to meet the Debtors' ongoing operational needs.

**B. Prepetition Marketing Process**

46. In tandem with the Debtors' internal reorganizations and re-prioritizations, starting in the first quarter of 2023, the Debtors began the first of several rounds of marketing their assets and exploring strategic alternatives.

47. In March 2023, the Debtors engaged Stifel Nicolaus, an investment banking firm, to initiate a comprehensive evaluation of all strategic alternatives available to the Debtors, including a sale and marketing process for the Debtors' assets. Stifel Nicolaus contacted over 30 parties. Of these parties, one potential purchaser expressed interest in the Debtors' assets, and subsequently signed a confidentiality agreement, and was granted access to a data room. Overall, this initial prepetition marketing process spanned approximately twelve months. However, despite these months of diligence and negotiations, the Debtors were unable to identify a viable purchaser.

48. In mid-2024, the company next retained Oppenheimer & Co., another investment bank, to further explore strategic alternatives and/or raise additional capital. Over the span of

approximately six months, Oppenheimer reached out to over ninety financial groups, half of which expressed initial interest in providing capital to the Debtors. Oppenheimer also solicited a number of asset sale proposals, resulting in two interested parties signing confidential disclosure agreements and being granted access to a data room. However, Oppenheimer was ultimately unable to raise additional capital or sell any of the Debtors' assets.

49. Most recently, the Debtors retained the services of Rock Creek Advisors ("Rock Creek") in 2024 as part of a sale process, but this third round of marketing also did not yield any buyers. In mid-March 2025, an online auction was run by the Branford Group for the sale of various miscellaneous specialized lab and good manufacturing practice ("GMP") equipment for the biotechnology and pharmaceutical industries. A number of different buyers closed sales on this equipment, which netted approximately $1.2 million of proceeds. The sold equipment, and the proceeds resulting therefrom, were subject to K2's liens, and the net proceeds were paid to K2.

### C. Entry into the Prepetition Bridge Loan, RSA Term Sheet, and DIP Financing Term Sheet with K2

50. By the end of 2024, the Debtors' board began to move towards a dissolution under state law. On December 31, 2024, the Debtors terminated their existing employees and their entire existing board resigned, appointing me in their place as the sole director, chief executive officer, and president of the Debtors to shepherd the Debtors through an orderly dissolution.

51. In the beginning of 2025, discussions began to take place between the Debtors and K2 to discuss potential value-maximizing alternatives to a state law dissolution, including the potential funding of a chapter 11 plan process by K2. After several weeks of negotiations, and after considering a number of different wind-down alternatives, the Debtors, at my direction, began to outline the contours of the RSA Term Sheet that would restructure the Debtors' existing debt and effectuate a debt-for-equity transaction as part of a chapter 11 process.

52. With the Debtors projected to be left with only approximately $121,000 of cash and cash equivalents as of March 12, 2025, K2 agreed to provide the Debtors with the Prepetition Bridge Loan to fund preparation for filing a chapter 11 case.

53. In connection with this preparation, the Debtors retained the following advisors to assist the Debtors: Morris, Nichols, Arsht & Tunnell LLP as bankruptcy counsel; Rock Creek Advisors as financial and restructuring advisor; and Lowenstein Sandler LLP as tax and securities counsel.

54. In April 2025, the Debtors subsequently entered into the RSA Term Sheet to outline the details of the chapter 11 plan process, including the provision of debtor-in-possession financing, and agreement on a plan structure that included a debt-for-equity transaction for K2. Concurrently with the RSA Term Sheet, the Debtors also agreed on a term sheet for debtor-in-possession financing which would provide the Debtors with a $12 million senior secured debtor-in-possession financing facility in order to fund this chapter 11 plan process.

## FIRST DAY MOTIONS

55. In my capacity as sole Director, President, Chief Executive Officer, Treasurer, and Chief Financial Officer of Molecular Templates, I believe that the relief requested in the First Day Motions is necessary and essential to ensuring that the Debtors' immediate needs are met, and that the Debtors (and other constituencies) will not suffer any immediate and irreparable harm as a result of the commencement of these chapter 11 cases. My opinion as to the necessity of the First Day Motions is based upon my firsthand experience as sole Director, President, Chief Executive Officer, Treasurer, and Chief Financial Officer and my review of various materials and information provided to me by the Debtors and Debtors' advisors, as well as discussions had in connection therewith. In considering the necessary first-day relief, the Debtors' advisors and I were cognizant

of the level of cash on hand and the limitations imposed by the cash collateral and/or DIP budgets and, in light of these limitations, narrowed the relief requested at the outset of the Chapter 11 Case to only those matters that require urgent relief to preserve value during the pendency of this case.

56. I have reviewed each of the First Day Motions (including the exhibits and schedules thereto) and am familiar with the content and substance contained therein. The facts set forth in each First Day Motion are true and correct to the best of my knowledge and belief with appropriate reliance on other advisors and I can attest to such facts.

57. For a more detailed description of the First Day Motions, I respectfully refer the Court to the respective First Day Motion. The facts set forth in each of the First Day Motions, listed below, are incorporated herein in their entirety. To the extent that this Declaration and the provisions of any of the First Day Motions are inconsistent, the terms of the First Day Motions shall control.

(i) Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Continue Their Existing Cash Management System, (B) Honor Certain Prepetition Obligations Related Thereto, (C) Maintain Their Bank Accounts and Existing Business Forms, and (D) Implement Changes to the Existing Cash Management System as Necessary, and (E) Continue Ordinary Course Intercompany Transactions, (II) Waiving the Requirements of 11 U.S.C. § 345(b) and the U.S. Trustee's Operating Guidelines, and (III) Granting Related Relief;

(ii) Motion of Debtors for Interim and Final Orders (I) Authorizing Debtors to Continue Insurance Program and Pay All Obligations with Respect Thereto, and (II) Granting Related Relief;

(iii) Motion of Debtors for Entry of Interim and Final Orders Establishing Notification and Hearing Procedures for, and Approving Restrictions on, Certain Transfers of, and Declarations of Worthlessness with Respect to, Interests in the Debtors' Estates;

(iv) Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses, and (II) Granting Related Relief;

(v) Debtors' Motion for Interim and Final Order (I) Authorizing Payment of Prepetition Claims of Certain Critical Vendors and (II) Granting Related Relief;

(vi) Debtors' Application for Authorization to Employ and Retain Kurtzman Carson Consultants, LLC dba Verita Global as Claims and Noticing Agent Effective as of the Petition Date;

(vii) Debtors' Motion for Entry of an Order Authorizing the Joint Administration of Debtors' Chapter 11 Cases;

(viii) Motion of Debtors for Entry of Interim and Final Orders: (I) Authorizing the Debtors to (A) File a Consolidated List of Creditors in Lieu of Submitting a Separate Matrix for Each Debtor, (B) File a Consolidated List of the Debtors' Thirty Largest Unsecured Creditors, and (C) Redact Certain Personally Identifiable Information, and (II) Granting Related Relief; and

(ix) Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Postpetition Financing and (B) Utilize Cash Collateral, (II) Granting Adequate Protection to the Prepetition Lender, (III) Modifying the Automatic Stay, (IV) Scheduling a Final Hearing, and (V) Granting Related Relief.

58. The First Day Motions request authority to, among other things, (i) continue the Debtor's cash management system and other operations, (ii) continue the Debtors' access to utilities services; and (iii) obtain additional financing for these chapter 11 cases. For the avoidance of doubt, the Debtors request authority, but not direction, to pay amounts or satisfy obligations with respect to the relief requested in the First Day Motions.

59. I believe that the relief requested in each of the First Day Motions (a) is critical to ensure the maximization of value of the Debtors' estate, (b) is essential to achieving a successful reorganization, and (c) serves the best interests of the Debtors and their stakeholders.

60. Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Executed this 21st day of April, 2025.

Molecular Templates, Inc.
Molecular Templates OpCo, Inc.

By: */s/ Craig Jalbert*
Craig Jalbert
President, Chief Executive Officer, and Chief Financial Officer

**Schedule 1**

**Organizational Chart**

MOLECULAR TEMPLATES