

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 001-33277

MADRIGAL PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation or organization)

04-3508648

(I.R.S. Employer Identification No.)

Four Tower Bridge

**200 Barr Harbor Drive, Suite 200
West Conshohocken, Pennsylvania**
(Address of principal executive offices)

19428

(Zip Code)

Registrant's telephone number, including area code: **(267) 824-2827**

Former name, former address and former fiscal year, if changed since last report:

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.0001 Par Value Per Share	MDGL	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 02, 2019, the registrant had 15,418,364 shares of common stock outstanding.



MADRIGAL PHARMACEUTICALS, INC.

TABLE OF CONTENTS

<u>Item</u>	<u>Description</u>	<u>Page</u>
	<u>Part I. Financial Information</u>	3
<u>Item 1.</u>	<u>Financial Statements (Unaudited):</u>	3
	<u>Condensed Consolidated Balance Sheets at March 31, 2019 and December 31, 2018</u>	3
	<u>Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2019 and 2018</u>	4
	<u>Condensed Consolidated Statements of Comprehensive Loss for the Three Months Ended March 31, 2019 and 2018</u>	5
	<u>Condensed Consolidated Statements of Stockholders' Equity for the Three Months Ended March 31, 2019 and 2018</u>	6
	<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2019 and 2018</u>	7
	<u>Notes to Condensed Consolidated Financial Statements</u>	8
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	20
<u>Item 4.</u>	<u>Controls and Procedures</u>	20
	<u>Part II. Other Information</u>	22
<u>Item 1.</u>	<u>Legal Proceedings</u>	22
<u>Item 1A.</u>	<u>Risk Factors</u>	22
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	22
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	22
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	22
<u>Item 5.</u>	<u>Other Information</u>	22
<u>Item 6.</u>	<u>Exhibits</u>	22
	<u>Signatures</u>	24

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

MADRIGAL PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited; in thousands, except share and per share amounts)

	March 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 47,493	\$ 57,379
Marketable securities	430,332	426,339
Prepaid expenses and other current assets	565	1,483
Total current assets	478,390	485,201
Property and equipment, net	240	227
Right-of-use asset	930	—
Total assets	<u>\$ 479,560</u>	<u>\$ 485,428</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 4,376	\$ 2,487
Accrued expenses	5,778	5,957
Lease liability	302	—
Total current liabilities	10,456	8,444
Long term liabilities:		
Lease liability	598	—
Total long term liabilities	598	—
Total liabilities	11,054	8,444
Stockholders' equity:		
Preferred stock, par value \$0.0001 per share authorized: 5,000,000 shares at March 31, 2019 and December 31, 2018; 1,969,797 shares issued and outstanding at March 31, 2019 and December 31, 2018	—	—
Common stock, par value \$0.0001 per share authorized: 200,000,000 at March 31, 2019 and December 31, 2018; 15,417,064 and 15,409,023 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	2	2
Additional paid-in-capital	622,678	616,573
Accumulated other comprehensive gain (loss)	178	(319)
Accumulated deficit	(154,352)	(139,272)
Total stockholders' equity	468,506	476,984
Total liabilities and stockholders' equity	<u>\$ 479,560</u>	<u>\$ 485,428</u>

See accompanying notes to condensed consolidated financial statements.

MADRIGAL PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; in thousands, except share and per share amounts)

	<u>Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Revenues:		
Total revenues	\$ —	\$ —
Operating expenses:		
Research and development	12,373	5,198
General and administrative	5,746	1,871
Total operating expenses	<u>18,119</u>	<u>7,069</u>
Loss from operations	(18,119)	(7,069)
Interest income	3,039	705
Net loss	<u>\$ (15,080)</u>	<u>\$ (6,364)</u>
Net loss per common share:		
Basic and diluted net loss per common share	\$ (0.98)	\$ (0.45)
Basic and diluted weighted average number of common shares outstanding	15,364,465	14,127,868

See accompanying notes to condensed consolidated financial statements.

MADRIGAL PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited; in thousands)

	<u>Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Net Loss	\$ (15,080)	\$ (6,364)
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities	497	(143)
Comprehensive loss	<u>\$ (14,583)</u>	<u>\$ (6,507)</u>

See accompanying notes to condensed consolidated financial statements.

MADRIGAL PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited; in thousands, except share and per share amounts)

	Preferred stock		Common stock		Additional paid-in Capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2017	1,969,797	\$ —	14,227,634	\$ 1	\$ 288,750	\$ (31)	\$ (106,461)	\$ 182,259
Exercise of common stock options	—	—	23,092	—	265	—	—	265
Compensation expense related to stock options for services	—	—	—	—	1,167	—	—	1,167
Unrealized loss on marketable securities	—	—	—	—	—	(143)	—	(143)
Net loss	—	—	—	—	—	—	(6,364)	(6,364)
Balance at March 31, 2018	<u>1,969,797</u>	<u>\$ —</u>	<u>14,250,726</u>	<u>\$ 1</u>	<u>\$ 290,182</u>	<u>\$ (174)</u>	<u>\$ (112,825)</u>	<u>\$ 177,184</u>
Balance at December 31, 2018	1,969,797	\$ —	15,409,023	\$ 2	\$ 616,573	\$ (319)	\$ (139,272)	\$ 476,984
Exercise of common stock options	—	—	8,041	—	83	—	—	83
Compensation expense related to stock options for services	—	—	—	—	6,022	—	—	6,022
Unrealized loss on marketable securities	—	—	—	—	—	497	—	497
Net loss	—	—	—	—	—	—	(15,080)	(15,080)
Balance at March 31, 2019	<u>1,969,797</u>	<u>\$ —</u>	<u>15,417,064</u>	<u>\$ 2</u>	<u>\$ 622,678</u>	<u>\$ 178</u>	<u>\$ (154,352)</u>	<u>\$ 468,506</u>

See accompanying notes to condensed consolidated financial statements.

MADRIGAL PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in thousands)

	Three Months Ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net loss	\$ (15,080)	\$ (6,364)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	6,022	1,167
Depreciation and amortization expense	28	23
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	888	290
Accounts payable	1,889	(509)
Accrued expense	(179)	(3,251)
Accrued interest, net of interest received on maturity of investments	(46)	—
Net cash used in operating activities	<u>(6,478)</u>	<u>(8,644)</u>
Cash flows from investing activities:		
Purchases of marketable securities	(173,837)	(122,193)
Sales and maturities of marketable securities	170,387	20,071
Purchases of property and equipment, net of disposals	(41)	(1)
Net cash used in investing activities	<u>(3,491)</u>	<u>(102,123)</u>
Cash flows from financing activities:		
Proceeds from exercise of common stock options	83	265
Net cash provided by financing activities	<u>83</u>	<u>265</u>
Net decrease in cash and cash equivalents	(9,886)	(110,502)
Cash and cash equivalents at beginning of period	57,379	148,627
Cash and cash equivalents at end of period	<u>\$ 47,493</u>	<u>\$ 38,125</u>
Supplemental disclosure of cash flow information:		
Acquisition of a right-of-use asset in exchange for a lease liability	\$ 900	\$ —

See accompanying notes to condensed consolidated financial statements.

MADRIGAL PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization, Business, and Basis of Presentation

Organization and Business

Madrigal Pharmaceuticals, Inc. (the “Company” or “Madrigal”) is a clinical-stage pharmaceutical company developing novel, high-quality, small-molecule drugs addressing major unmet needs in cardiovascular, metabolic, and liver diseases. The Company’s lead compound, MGL-3196 (resmetirom), is being advanced for non-alcoholic steatohepatitis (“NASH”), a liver disease that commonly affects people with metabolic diseases such as obesity and diabetes, and indications in dyslipidemia, potentially including genetic dyslipidemias such as familial hypercholesterolemia (“FH”). The Company initiated a Phase 2 study of resmetirom in NASH in October 2016. In February 2017, the Company initiated a Phase 2 study of resmetirom in patients with Heterozygous Familial Hypercholesterolemia (“HeFH”). Both Phase 2 studies were fully enrolled in 2017, the HeFH study was completed in February 2018, and the NASH study was completed in May 2018. The Company initiated a Phase 3 study of resmetirom in NASH in March 2019.

Madrigal was originally incorporated as a private company (“Private Madrigal”) on August 19, 2011 and commenced operations in September 2011. On July 22, 2016, Private Madrigal completed a reverse merger (the “Merger”) into Synta Pharmaceuticals Corp. (“Synta”). Upon the consummation of the Merger, the historical financial statements of Private Madrigal became the Company’s historical financial statements.

Basis of Presentation

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) have been condensed or omitted. Accordingly, the unaudited condensed consolidated financial statements do not include all information and footnotes required by GAAP for complete annual financial statements. However, we believe that the disclosures included in these financial statements are adequate to make the information presented not misleading. The unaudited condensed financial statements, in the opinion of management, reflect all adjustments, which include normal recurring adjustments, necessary for a fair statement of such interim results. The interim results are not necessarily indicative of the results that we will have for the full year ending December 31, 2019 or any subsequent period. These unaudited condensed financial statements should be read in conjunction with the audited consolidated financial statements and the notes to those statements for the year ended December 31, 2018.

2. Summary of Significant Accounting Policies

Principle of Consolidation

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries. All significant intercompany balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. The Company bases its estimates on historical experience and various other assumptions that management believes to be reasonable under the circumstances. Changes in estimates are recorded in the period in which they become known. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents. The Company maintains its cash in bank accounts, the balance of which, at times, exceeds Federal Deposit Insurance Corporation insured limits.

The primary objective of the Company’s investment activities is to preserve its capital for the purpose of funding operations and the Company does not enter into investments for trading or speculative purposes. The Company’s cash is deposited in highly rated financial institutions in the United States. The Company invests in money market funds and high-grade, short-term commercial paper and corporate bonds, which management believes are subject to minimal credit and market risk.

Marketable Securities

Marketable securities consist of investments in high-grade corporate obligations and government and government agency obligations that are classified as available-for-sale. Since these securities are available to fund current operations, they are classified as current assets on the consolidated balance sheets.

The Company adjusts the cost of available-for-sale debt securities for amortization of premiums and accretion of discounts to maturity. The Company includes such amortization and accretion as a component of interest income, net. Realized gains and losses and declines in value, if any, that the Company judges to be other-than-temporary on available-for-sale securities are reported as a component of interest income, net. To determine whether an other-than-temporary impairment exists, the Company considers whether it intends to sell the debt security and, if the Company does not intend to sell the debt security, it considers available evidence to assess whether it is more likely than not that it will be required to sell the security before the recovery of its amortized cost basis. During the three months ended March 31, 2019 and 2018, the Company determined it did not have any securities that were other-than-temporarily impaired.

Marketable securities are stated at fair value, including accrued interest, with their unrealized gains and losses included as a component of accumulated other comprehensive income or loss, which is a separate component of stockholders' equity. The fair value of these securities is based on quoted prices and observable inputs on a recurring basis. Realized gains and losses are determined on the specific identification method. During the three months ended March 31, 2019 and 2018, the Company did not have any realized gains or losses on marketable securities.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, which include cash equivalents, and marketable securities, approximate their fair values. The fair value of the Company's financial instruments reflects the amounts that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy has the following three levels:

Level 1—quoted prices in active markets for identical assets and liabilities.

Level 2—observable inputs other than Level 1 inputs. Examples of Level 2 inputs include quoted prices in active markets for similar assets or liabilities and quoted prices for identical assets or liabilities in markets that are not active.

Level 3—unobservable inputs that reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability.

Financial assets and liabilities are classified in their entirety within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. The Company measures the fair value of its marketable securities by taking into consideration valuations obtained from third-party pricing sources. The pricing services utilize industry standard valuation models, including both income and market based approaches, for which all significant inputs are observable, either directly or indirectly, to estimate fair value. These inputs include reported trades of and broker-dealer quotes on the same or similar securities, issuer credit spreads, benchmark securities and other observable inputs. As of March 31, 2019, the Company's financial assets valued based on Level 1 inputs consisted of cash and cash equivalents in a money market fund and its financial assets valued based on Level 2 inputs consisted of high-grade corporate bonds and commercial paper. During the three ended March 31, 2019 and 2018, the Company did not have any transfers of financial assets between Levels 1 and 2. As of March 31, 2019 and December 31, 2018, the Company did not have any financial liabilities that were recorded at fair value on a recurring basis on the balance sheet.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs are comprised of costs incurred in performing research and development activities, including internal costs (including stock-based compensation), costs for consultants, and other costs associated with the Company's preclinical and clinical programs. In particular, Madrigal has conducted safety studies in animals, optimized and implemented the API manufacturing process, and conducted clinical trials, all of which are considered research and development expenditures.

Patents

Costs to secure and defend patents are expensed as incurred and are classified as general and administrative expense in the Company's consolidated statements of operations.

Stock-Based Compensation

The Company recognizes stock-based compensation expense based on the grant date fair value of stock options granted to employees, officers, and directors. The Company uses the Black-Scholes option pricing model to determine the grant date fair value as management believes it is the most appropriate valuation method for its option grants. The Black-Scholes model requires inputs for risk-free interest rate, dividend yield, volatility and expected lives of the options. The expected lives for options granted represent the period of time that options granted are expected to be outstanding. The Company uses the simplified method for determining the expected lives of options. Expected volatility is based upon an industry estimate or blended rate including the Company's historical trading activity. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of the grant. The Company estimates the forfeiture rate based on historical data. This analysis is re-evaluated at least annually and the forfeiture rate is adjusted as necessary.

Certain of the employee stock options granted by the Company are structured to qualify as incentive stock options ("ISOs"). Under current tax regulations, the Company does not receive a tax deduction for the issuance, exercise or disposition of ISOs if the employee meets certain holding requirements. If the employee does not meet the holding requirements, a disqualifying disposition occurs, at which time the Company may receive a tax deduction. The Company does not record tax benefits related to ISOs unless and until a disqualifying disposition is reported. In the event of a disqualifying disposition, the entire tax benefit is recorded as a reduction of income tax expense. The Company has not recognized any income tax benefit for its share-based compensation arrangements due to the fact that the Company does not believe it is more likely than not it will realize the related deferred tax assets.

Income Taxes

The Company uses the asset and liability method to account for income taxes. Deferred tax assets and liabilities are determined based on the expected future tax consequences of temporary differences between the Company's financial statement carrying amounts and the tax basis of assets and liabilities using enacted tax rates expected to be in effect in the years in which the differences are expected to reverse. The Company currently maintains a 100% valuation allowance on its deferred tax assets.

Comprehensive Loss

Comprehensive loss is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Changes in unrealized gains and losses on marketable securities represent the only difference between the Company's net loss and comprehensive loss.

Basic and Diluted Loss Per Common Share

Basic net loss per share is computed using the weighted average number of common shares outstanding during the period, excluding restricted stock that has been issued but is not yet vested. Diluted net loss per common share is computed using the weighted average number of common shares outstanding and the weighted average dilutive potential common shares outstanding using the treasury stock method. However, for the three months ended March 31, 2019 and 2018, diluted net loss per share is the same as basic net loss per share because the inclusion of weighted average shares of unvested restricted common stock, common stock issuable upon the exercise of stock options, and common stock issuable upon the conversion of preferred stock would be anti-dilutive.

The following table summarizes outstanding securities not included in the computation of diluted net loss per common share, as their inclusion would be anti-dilutive:

	Three Months Ended March 31,	
	2019	2018
Common Stock Options	1,367,077	1,122,585
Unvested Restricted Common Stock	52,063	104,127
Preferred Stock	1,969,797	1,969,797

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, "Leases," which, together with amendments comprising ASC 842, requires lessees to identify arrangements that should be accounted for as leases and generally recognized, for operating and finance leases with terms exceeding twelve months, a right-of-use asset (or "ROU") and lease liability on the balance sheet. For public business entities, ASU 2016-02 is effective for annual and interim reporting periods beginning after December 15, 2018, with early adoption permitted. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. The Company adopted ASU 2016-02 effective January 1, 2019. There was no significant retrospective impact from the adoption. The new standard provides a number of optional practical expedients in transition. We have elected the package of

[Table of Contents](#)

practical expedients, which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. The new standard also provides practical expedients for an entity's ongoing accounting. We have elected the short term lease exception and we will not recognize ROU assets or lease liabilities for qualifying leases (leases with a term of less than 12 months from lease commencement). In 2019 the Company accounted for a new lease under the guidance (see Note 7).

3. Liquidity and Uncertainties

The Company is subject to risks common to development stage companies in the biopharmaceutical industry including, but not limited to, uncertainty of product development and commercialization, dependence on key personnel, uncertainty of market acceptance of products and product reimbursement, product liability, uncertain protection of proprietary technology, potential inability to raise additional financing necessary for development and commercialization, and compliance with the U.S. Food and Drug Administration and other government regulations.

The Company has incurred losses since inception, including approximately \$15.1 million for the three months ended March 31, 2019, resulting in an accumulated deficit of approximately \$154.4 million as of March 31, 2019. Management expects to incur losses for the foreseeable future. To date, the Company has funded its operations primarily through the issuance of convertible debt, the proceeds from the Merger on July 22, 2016, and proceeds from sales of the Company's equity securities.

The Company believes that its cash, cash equivalents and marketable securities at March 31, 2019 will be sufficient to fund operations past one year from the issuance of these financial statements. To meet its future capital needs, the Company intends to raise additional capital through debt or equity financings, collaborations, partnerships or other strategic transactions. However, there can be no assurance that the Company will be able to complete any such transactions on acceptable terms or otherwise. The inability of the Company to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on the Company's business, results of operations and financial condition. The Company has the ability to delay certain research activities and related clinical expenses if necessary due to liquidity concerns until a date when those concerns are relieved.

4. Cash, Cash Equivalents and Marketable Securities

A summary of cash, cash equivalents and available-for-sale marketable securities held by the Company as of March 31, 2019 and December 31, 2018 is as follows (in thousands):

	March 31, 2019			
	Cost	Unrealized gains	Unrealized losses	Fair value
Cash and cash equivalents:				
Cash (Level 1)	\$ 2,075	\$ —	\$ —	\$ 2,075
Money market funds (Level 1)	45,418	—	—	45,418
Corporate debt securities due within 3 months of date of purchase (Level 2)	—	—	—	—
Total cash and cash equivalents	<u>47,493</u>	<u>—</u>	<u>—</u>	<u>47,493</u>
Marketable securities:				
Corporate debt securities due within 1 year of date of purchase (Level 2)	430,154	189	(11)	430,332
Total cash, cash equivalents and marketable securities	<u>\$ 477,647</u>	<u>\$ 189</u>	<u>\$ (11)</u>	<u>\$ 477,825</u>
	December 31, 2018			
	Cost	Unrealized gains	Unrealized losses	Fair value
Cash and cash equivalents:				
Cash (Level 1)	\$ 2,004	\$ —	\$ —	\$ 2,004
Money market funds (Level 1)	43,401	—	—	43,401
Corporate debt securities due within 3 months of date of purchase (Level 2)	11,974	—	—	11,974
Total cash and cash equivalents	<u>57,379</u>	<u>—</u>	<u>—</u>	<u>57,379</u>
Marketable securities:				
Corporate debt securities due within 1 year of date of purchase (Level 2)	426,658	14	(333)	426,339
Total cash, cash equivalents and marketable securities	<u>\$ 484,037</u>	<u>\$ 14</u>	<u>\$ (333)</u>	<u>\$ 483,718</u>

5. Stockholders' Equity

Common Stock

Each common stockholder is entitled to one vote for each share of common stock held. The common stock will vote together with all other classes and series of stock of the Company as a single class on all actions to be taken by the Company's stockholders. Each share of common stock is entitled to receive dividends, as and when declared by the Company's board of directors.

The Company has never declared cash dividends on its common stock and does not expect to do so in the foreseeable future.

Preferred Stock

The Series A Preferred Stock has a par value of \$0.0001 per share and is convertible into shares of the common stock at a one-to-one ratio, subject to adjustment as provided in the Purchase Agreement. The terms of the Series A Preferred Stock are set forth in the Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock, that the Company filed with the Secretary of State of the State of Delaware on June 21, 2017. Each share of the Series A Preferred Stock is convertible into shares of Common Stock at any time at the holder's option. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, after the satisfaction in full of the debts of the Company and the payment of any liquidation preference owed to the holders of shares of capital stock of the Company ranking prior to the Series A Preferred Stock upon liquidation, the holders of the Series A Preferred Stock shall participate *pari passu* with the holders of the Common Stock (on an as-if-converted-to-Common-Stock basis) in the net assets of the Company. Shares of the Series A Preferred Stock will generally have no voting rights, except as required by law. Shares of the Series A Preferred Stock will be entitled to receive dividends before shares of any other class or series of capital stock of the Company (other than dividends in the form of the Common Stock) equal to the dividend payable on each share of the Common Stock, on an as-converted basis.

June 2018 Registered Offering of Common Stock

In June 2018, the Company entered into an underwriting agreement with Goldman Sachs & Co. LLC, as representative of the several underwriters named therein (the "June 2018 Underwriters"), relating to an underwritten public offering (the "June 2018 Offering") of 1,079,580 shares of the Company's common stock, including 95,973 shares of the Company's common stock purchased by the June 2018 Underwriters pursuant to a 30-day option to purchase such additional shares granted therein, at a public offering price of \$305.00 per share. The June 2018 Offering resulted in net proceeds to the Company of approximately \$311.8 million, after deducting the June 2018 Underwriters' discount and other offering costs. The June 2018 Offering closed on June 11, 2018.

At-The-Market Issuance Sales Agreement

In October 2015, the Company entered into an at-the-market issuance sales agreement (the "October 2015 Sales Agreement"), with Cowen and Company, LLC ("Cowen"), pursuant to which the Company may issue and sell shares of its common stock, having an aggregate offering price of up to \$100 million, from time to time, at the Company's option, through Cowen as its sales agent. Sales of common stock through Cowen may be made by any method that is deemed an "at-the-market" offering as defined in Rule 415 promulgated under the Securities Act of 1933, as amended, including by means of ordinary brokers' transactions at market prices, in block transactions or as otherwise agreed by the Company and Cowen. Subject to the terms and conditions of the October 2015 Sales Agreement, Cowen will use commercially reasonable efforts consistent with its normal trading and sales practices to sell the common stock based upon the Company's instructions (including any price, time or size limits or other customary parameters or conditions the Company may impose). The Company is not obligated to make any sales of its common stock under the October 2015 Sales Agreement. Any shares sold will be sold pursuant to an effective shelf registration statement on Form S-3 (file no. 333-206135). The Company will pay Cowen a commission of up to 3% of the gross proceeds. The October 2015 Sales Agreement may be terminated by the Company at any time upon 10 days' notice.

As of March 31, 2019, 597,256 shares have been sold under the October 2015 Sales Agreement for an aggregate of approximately \$9.6 million in gross proceeds. Net proceeds to the Company were approximately \$9.4 million after deducting commissions and other transactions costs. Of those shares sold, none were sold in 2019 or 2018. Approximately \$90.4 million remained reserved under the Company's shelf registration statement and the applicable prospectus supplement for possible future

[Table of Contents](#)

issuance under the October 2015 Sales Agreement.

6. Stock-based Compensation

In June 2015, upon obtaining stockholder approval at its annual shareholder meeting, the Company implemented its new 2015 Stock Plan. The 2015 Stock Plan replaced the 2006 Stock Plan, which was terminated upon adoption of the 2015 Stock Plan. Shares of common stock reserved for outstanding awards under the 2006 Stock Plan that lapse or are canceled will be added back to the share reserve available for future awards under the 2015 Stock Plan. The 2015 Stock Plan provides for the grant of incentive stock options, non-statutory stock options, restricted stock and other stock-based compensation awards to employees, officers, directors, and consultants of the Company. The administration of the 2015 Stock Plan is under the general supervision of the compensation committee of the board of directors. The exercise price of the stock options is determined by the compensation committee of the board of directors, provided that stock options are granted with an exercise price not less than fair market value of the common stock on the date of grant and expire no later than ten years from the date the option is granted. As of March 31, 2019, the Company had options outstanding to purchase 1,367,077 shares of its common stock, which includes options outstanding under its 2006 Stock Plan that was terminated in June 2015. As of March 31, 2019, 958,345 shares were available for future issuance.

The following table summarizes stock option activity during the three months ended March 31, 2019:

	Shares	Weighted average exercise price
Outstanding at January 1, 2019	1,132,618	\$ 48.52
Options granted	242,500	126.45
Options exercised	(8,041)	10.36
Options cancelled	—	—
Outstanding at March 31, 2019	<u>1,367,077</u>	<u>\$ 62.57</u>
Exercisable at March 31, 2019	673,303	\$ 20.31

The total cash received by the Company as a result of stock option exercises was \$0.1 million and \$0.3 million, respectively, for the three months ended March 31, 2019 and 2018. The weighted-average grant date fair values, based on the Black-Scholes option model, of options granted during the three months ended March 31, 2019 and 2018 were \$101.08 and \$96.57, respectively.

Restricted Common Stock

The Company's share-based compensation plan provides for awards of restricted shares of common stock to employees, officers, directors and consultants to the Company. Restricted stock awards are subject to forfeiture if employment or service terminates during the prescribed retention period. Restricted shares vest over the service period. There were 52,063 unvested restricted shares outstanding at a weighted average grant date fair value of \$9.45 at March 31, 2019 and December 31, 2018.

Stock-Based Compensation Expense

Stock-based compensation expense during the three months ended March 31, 2019 and 2018 was as follows (in thousands):

[Table of Contents](#)

	Three Months Ended March 31,	
	2019	2018
Stock-based compensation expense by type of award:		
Stock options	\$ 5,901	\$ 1,046
Restricted stock	121	121
Total stock-based compensation expense	<u>\$ 6,022</u>	<u>\$ 1,167</u>
Effect of stock-based compensation expense by line item:		
Research and development	\$ 1,877	\$ 376
General and administrative	4,145	791
Total stock-based compensation expense included in net loss	<u>\$ 6,022</u>	<u>\$ 1,167</u>

Unrecognized stock-based compensation expense as of March 31, 2019 was as follows (in thousands):

	Unrecognized stock compensation expense	Weighted average remaining period (in years)
Stock options	\$ 40,286	3.16
Restricted stock	151	0.31
Total	<u>\$ 40,437</u>	<u>3.14</u>

7. Leases

In 2019 the Company entered into an operating lease for office space. As described within Note 2, we adopted ASU 2016-02, "Leases," on January 1, 2019 requiring, among other changes, operating and finance leases with terms exceeding twelve months to be recognized as ROU assets and lease liabilities on the balance sheet. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The lease term is determined to be the non-cancelable period including any lessee renewal options which are considered to be reasonably certain of exercise. The interest rate implicit in lease contracts is typically not readily determinable. As such, the Company used judgment to determine an appropriate incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term in a similar economic environment.

Future minimum payments under the Company's operating leases related to the ROU asset and lease liability as of March 31, 2019 was as follows (in thousand):

	Operating Leases
2019	\$ 238
2020	363
2021	371
2022	31
Thereafter	—
Total minimum payments	\$ 1,003
Less: imputed interest	103
Present value of lease liabilities	<u>\$ 900</u>

The total cash paid for amounts included in the measurement of lease liabilities for the three months ended March 31, 2019 was \$30 thousand and was included in net cash used in operating activities in our condensed consolidated statements of cash flows.

[Table of Contents](#)

As of March 31, 2019, the weighted average remaining operating lease term was 2.8 years and the weighted average discount rate used to determine the operating lease liabilities was 5.5%. For the three months ended March 31, 2019, operating lease costs were \$57 thousand, short-term lease costs were \$49 thousand, and there were no variable lease costs.

8. Commitments and Contingencies

The Company has a Research, Development and Commercialization Agreement with Hoffmann-La Roche (“Roche”) which grants the Company a sole and exclusive license to develop, use, sell, offer for sale and import any Licensed Product as defined by the agreement.

The agreement requires future milestone payments to Roche, the remainder of which total \$10 million and are earned by achieving specified objectives related to Phase 3 clinical trials and future regulatory approval in the United States and Europe of a product developed from MGL-3196 (resmetirom). A single-digit royalty payment range is based on net sales of products developed from resmetirom, subject to certain reductions. In October 2016, the Company commenced a Phase 2 study in Non-Alcoholic Steatohepatitis (NASH), which triggered a milestone payment under the agreement. Except as described above, the Company has not achieved any additional product development or regulatory milestones to date and had no Licensed Product sales for the three months ended March 31, 2019 and 2018.

The Company has entered into customary contractual arrangements and letters of intent in preparation for and in support of the Phase 2 and 3 clinical trials.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, that are based on our beliefs and assumptions and on information currently available to us. Forward-looking statements include but are not limited to statements or references concerning: our clinical trials, research and development activities, the timing and results associated with the future development of our lead product candidate, MGL-3196 (resmetirom); our primary and secondary study endpoints for resmetirom and the potential for achieving such endpoints; optimal dosing levels for resmetirom; projections regarding potential future NASH resolution, fibrosis treatment, cardiovascular effects and lipid treatment; the achievement of enrollment objectives concerning patient number and/or timing for our studies; potential NASH or NAFLD patient risk profile benefits; our possible or assumed future results of operations and expenses, business strategies and plans, capital needs and financing plans, trends, market sizing, competitive position, industry environment and potential growth opportunities, among other things. Forward-looking statements: reflect management's current knowledge, assumptions, judgment and expectations regarding future performance or events; include all statements that are not historical facts; and can be identified by terms such as "anticipates," "be," "believes," "continue," "could," "estimates," "expects," "future," "intends," "may," "plans," "potential," "predicts," "projects," "seeks," "should," "will," "would" or similar expressions and the negatives of those terms. Although management presently believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct and you should be aware that actual results could differ materially from those contained in the forward-looking statements.

Forward-looking statements are subject to a number of risks and uncertainties including, but not limited to: the company's clinical development of resmetirom; enrollment uncertainties; outcomes or trends from competitive studies; the risks of achieving potential benefits in a study that includes substantially more patients than our prior study; the timing and outcomes of clinical studies of resmetirom; the uncertainties inherent in clinical testing; and the risks affecting our development objectives, business, financial condition, prospects and resources, as set forth in detail under "Risk Factors" as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the SEC on February 27, 2019. Undue reliance should not be placed on forward-looking statements, which speak only as of the date they are made. Madrigal undertakes no obligation to update any forward-looking statements to reflect new information, events or circumstances after the date they are made, or to reflect the occurrence of unanticipated events. Please also refer to Madrigal's past and future filings with the U.S. Securities and Exchange Commission for more detailed information regarding these risks and uncertainties and other factors that may cause actual results to differ materially from those expressed or implied.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The consolidated financial statements, included elsewhere in this Quarterly Report on Form 10-Q, and this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read together with our audited financial statements and accompanying notes for year ended December 31, 2018 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are included in our Annual Report on Form 10-K. In addition to historical information, this discussion and analysis contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. As disclosed in this report, our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section entitled "Special Note Regarding Forward-Looking Statements" included elsewhere in this report. Our operating results are not necessarily indicative of results that may occur for the full fiscal year or any other future period.

About Madrigal Pharmaceuticals, Inc.

We are a clinical-stage biopharmaceutical company focused on the development and commercialization of innovative therapeutic candidates for the treatment of cardiovascular, metabolic, and liver diseases. Our lead product candidate, MGL-3196 (resmetirom), is a proprietary, liver-directed, selective thyroid hormone receptor- β , or THR- β , agonist being developed as a once-daily oral pill that can potentially be used to treat a number of disease states with high unmet medical need, including non-alcoholic steatohepatitis, or NASH. For NASH, we enrolled 125 patients in a Phase 2 clinical trial. We achieved the 12-week primary endpoint for this Phase 2 clinical trial and reported the results in December 2017, and we reported positive topline 36-week results at the conclusion of the Phase 2 clinical trial in May 2018. We have completed treatment in a 36-week, open-label extension study in 31 participating NASH patients from the Phase 2 clinical trial, which includes 14 patients who received placebo in the main study. We are also developing resmetirom for dyslipidemia, which began with a study of a genetic dyslipidemia known as heterozygous familial hypercholesterolemia, or HeFH. We enrolled 116 patients and completed a Phase 2 clinical trial in HeFH patients, and we reported the results in February 2018. We are also planning to advance resmetirom in registration studies for the treatment of dyslipidemia in patients with fatty liver disease, including NAFLD/NASH patients because of its demonstrated ability to lower LDL-cholesterol and multiple atherogenic lipids including triglycerides, lipoprotein (a) and apolipoprotein B. In addition to the NASH and HeFH Phase 2 clinical trials, resmetirom has also been studied in seven completed Phase 1 trials in a total of 198 subjects. Resmetirom appeared to be safe and was well-tolerated in these trials, which included a single ascending dose trial, a multiple ascending dose trial, two drug interaction trials with statins, a multiple dose mass balance study, a single dose relative bioavailability study of tablet formulations

[Table of Contents](#)

versus capsule formulation, and a multiple dose drug interaction and food effect study.

Recent Developments

Initiation of Phase 3 clinical trial in NASH

On March 28, 2019 the Company announced that it had initiated a Phase 3 trial in NASH with its once daily, oral thyroid hormone receptor beta selective agonist, MGL-3196 (resmetirom). This double-blind, placebo-controlled study will be conducted at more than 150 sites in the United States and the rest of the world. Patients with liver biopsy confirmed NASH with stage 2 or 3 fibrosis will be randomized 1:1:1 to receive a single oral daily dose of placebo, resmetirom 80 mg or resmetirom 100 mg. A second liver biopsy at week 52 in the first 900 patients will be the basis of filing for subpart H-accelerated approval; the primary endpoint will be the percent of patients treated with either dose of resmetirom as compared with placebo who achieve NASH resolution on the week 52 liver biopsy, defined as the absence of hepatocyte ballooning (score=0), and minimal lobular inflammation (score 0-1), associated with at least a 2 point reduction in NAS, and no worsening of fibrosis stage. Two key secondary endpoints are reduction in LDL-cholesterol and a 1-point or more improvement in fibrosis stage on the week 52 biopsy with no worsening of NASH. Patients will continue in the study for a total of approximately 54 months, and will be evaluated for a composite clinical outcome including cirrhosis on liver biopsy, or a liver related event such as hepatic decompensation. The total anticipated enrollment is approximately 2,000 patients, and will include up to 15% high risk F1 fibrosis stage NASH patients whose efficacy responses will be evaluated as exploratory endpoints.

Basis of Presentation

Research and Development Expenses

Research and development expenses primarily consist of costs associated with our research activities, including the preclinical and clinical development of our product candidates. We expense our research and development costs as incurred. We contract with clinical research organizations to manage our clinical trials under agreed upon budgets for each study, with oversight by our clinical program managers. We account for nonrefundable advance payments for goods and services that will be used in future research and development activities as expenses when the service has been performed or when the goods have been received. Manufacturing expense includes costs associated with drug formulation development and clinical drug production. We do not track employee and facility related research and development costs by project, as we typically use our employee and infrastructure resources across multiple research and development programs. We believe that the allocation of such costs would be arbitrary and not be meaningful.

Our research and development expenses consist primarily of:

- salaries and related expense, including stock-based compensation;
- external expenses paid to clinical trial sites, contract research organizations, laboratories, database software and consultants that conduct clinical trials;
- expenses related to development and the production of nonclinical and clinical trial supplies, including fees paid to contract manufacturers;
- expenses related to preclinical studies;
- expenses related to compliance with drug development regulatory requirements; and
- other allocated expenses, which include direct and allocated expenses for depreciation of equipment and other supplies.

We expect to continue to incur substantial expenses related to our development activities for the foreseeable future as we conduct our clinical studies programs, manufacturing and toxicology studies. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials, additional drug manufacturing requirements, and later stage toxicology studies such as carcinogenicity studies. Our research and development expenses have increased year over year in each of 2019 and 2018 and we expect that our research and development expenses will increase substantially in the future. The process of conducting preclinical studies and clinical trials necessary to obtain regulatory approval is costly and time consuming. The probability of success for each product candidate is affected by numerous factors, including preclinical data, clinical data, competition, manufacturing capability and commercial viability. Accordingly, we may never succeed in achieving marketing approval for any of our product candidates.

Completion dates and costs for our clinical development programs as well as our research program can vary significantly for each current and future product candidate and are difficult to predict. As a result, we cannot estimate with any degree of certainty the costs we will incur in connection with the development of our product candidates at this point in time. We expect that we will make determinations as to which programs and product candidates to pursue and how much funding to direct to each program and product candidate on an ongoing basis in response to the scientific success of early research programs, results of ongoing and future clinical trials, our ability to enter into collaborative agreements with respect to programs or potential product candidates, as well as ongoing assessments as to each current or future product candidate's commercial potential.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries, benefits and stock-based compensation expenses for employees, management costs, costs associated with obtaining and maintaining our patent portfolio, professional fees for accounting, auditing, consulting and legal services, and allocated overhead expenses.

We expect that our general and administrative expenses may increase in the future as we expand our operating activities, maintain and expand our patent portfolio and incur additional costs associated with being a public company and maintaining compliance with exchange listing and SEC requirements. We expect these potential increases will likely include management costs, legal fees, accounting fees, directors' and officers' liability insurance premiums and expenses associated with investor relations.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets, liabilities, and expenses and the disclosure of contingent assets and liabilities as of the date of the financial statements. On an ongoing basis, we evaluate our estimates and judgments, including those related to accrued research and development expenses and stock-based compensation expense. We base our estimates on historical experience, known trends and events, and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions. There have been no material changes in our critical accounting policies and significant judgments and estimates during the three months ended March 31, 2019, as compared to those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the SEC on February 27, 2019.

Results of Operations

Three Months Ended March 31, 2019 and 2018

The following table provides comparative unaudited results of operations for the three months ended March 31, 2019 and 2018 (in thousands):

	Three Months Ended March 31,		Increase / (Decrease)	
	2019	2018	\$	%
Research and Development Expenses	\$ 12,373	\$ 5,198	7,175	138%
General and Administrative Expenses	5,746	1,871	3,875	207%
Interest Income	(3,039)	(705)	2,334	331%
	\$ 15,080	\$ 6,364	8,716	137%

Revenue

We had no revenue for the three months ended March 31, 2019 and 2018.

Research and Development Expenses

Our research and development expenses were \$12.4 million for the three months ended March 31, 2019, compared to \$5.2 million in the corresponding period in 2018. Research and development expenses increased by \$7.2 million in the 2019 period due primarily to the additional activities related to the initiation of the Phase 3 clinical trial in NASH, including an increase in head count, and an increase in non-cash stock compensation from stock option awards. We expect our research and development expenses to increase over time as we advance our clinical and preclinical development programs for MGL-3196 (resmetirom).

General and Administrative Expenses

Our general and administrative expenses were \$5.7 million for the three months ended March 31, 2019, compared to \$1.9 million in the corresponding period in 2018. General and administrative expenses increased by \$3.9 million in the 2019 period due primarily to an increase in non-cash stock compensation from stock option awards. We believe our general and administrative expenses may increase over time as we advance our clinical and preclinical development programs for MGL-3196 (resmetirom), which will likely result in an increase in our headcount, consulting services, and related overhead needed to support those efforts.

[Table of Contents](#)*Interest Income*

Our net interest income was \$3.0 million for the three months ended March 31, 2019, compared to \$0.7 million in the corresponding period in 2018. The increase in interest income was due primarily to a higher average principal balance in our investment account in 2019, and increased interest rates.

Liquidity and Capital Resources

Since inception, we have incurred significant net losses and we have funded our operations primarily through the issuance of convertible debt, the issuance of shares of our common stock and shares of our preferred stock, and the proceeds from the Merger. Our most significant use of capital pertains to salaries and benefits for our employees, including clinical, scientific, operational, financial and management personnel, and external research and development expenses, such as clinical trials and preclinical activity related to our product candidates.

As of March 31, 2019, we had cash, cash equivalents and marketable securities totaling \$477.8 million compared to \$483.7 million as of December 31, 2018, with the decrease primarily attributable to our net operating loss. Our cash and investment balances are held in a variety of interest bearing instruments, including obligations of U.S. government agencies, U.S. Treasury debt securities, corporate debt securities and money market funds. Cash in excess of immediate requirements is invested in accordance with our investment policy with a view toward capital preservation and liquidity.

We anticipate continuing to incur operating losses for the foreseeable future. While our rate of cash usage may increase in the future, in particular to support our product development and clinical trial efforts, we believe our available cash resources as of March 31, 2019 will be sufficient to fund our operations past one year from the issuance of the financial statements contained herein. Future capital requirements will be substantial and will depend on many factors. To meet future capital requirements, we will need to raise additional capital to fund our operations through equity or debt financing. We regularly consider fundraising opportunities and may decide, from time to time, to raise capital based on various factors, including market conditions and our plans of operation. Additional capital may not be available on terms acceptable to us, or at all. If adequate funds are not available, or if the terms of potential funding sources are unfavorable, our business and our ability to develop our product candidates could be harmed. Furthermore, any sales of additional equity securities may result in dilution to our stockholders, and any debt financing may include covenants that restrict our business.

Cash Flows

The following table provides a summary of our net cash flow activity (in thousands):

	Three Months Ended March 31,	
	2019	2018
Net cash used in operating activities	\$ (6,478)	\$ (8,644)
Net cash (used in) provided by investing activities	(3,491)	(102,123)
Net cash provided by financing activities	83	265
Net (decrease) increase in cash and cash equivalents	\$ (9,886)	\$ (110,502)

Net cash used in operating activities was \$6.5 million for the three months ended March 31, 2019, compared to \$8.6 million for the corresponding period in 2018. The use of cash in these periods resulted primarily from our losses from operations, as adjusted for non-cash charges for stock-based compensation, and changes in our working capital accounts.

Net cash used in investing activities was \$3.5 million for the nine months ended March 31, 2019, compared to \$102.1 million used in investing activities for the corresponding period in 2018. Net cash used by investing activities for the three months ended March 31, 2019 consisted of \$173.8 million of purchases of marketable securities for our investment portfolio, partially offset by \$170.4 million from sales and maturities of marketable securities. Net cash used by investing activities for the three months ended March 31, 2018 consisted of \$122.2 million of purchases of marketable securities for our investment portfolio, partially offset by \$20.1 million from sales and maturities of marketable securities.

Net cash provided by financing activities was \$0.1 million for the three months ended March 31, 2019, compared to \$0.3 million for the corresponding period in 2018. Net cash provided by financing activities for the three months ended March 31, 2019 and 2018 consisted of proceeds from exercise of stock options.

Contractual Obligations and Commitments

As of March 31, 2019, we had contractual obligations and commercial commitments as follows (in thousands):

Contractual Obligations	Total	Payments Due by Period			More Than 5 Years
		Less Than 1 Year	1 - 3 Years	4 - 5 Years	
Operating Leases	1,048	283	765	—	—
Total contractual Obligations	1,048	283	765	—	—

Operating leases relates to our corporate headquarters facility located in West Conshohocken, Pennsylvania.

Off-Balance Sheet Arrangements

We do not have any off balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.***Interest Rate Risk***

Our exposure to market risk is confined to our cash, cash equivalents and marketable securities. We regularly review our investments and monitor the financial markets. We invest in high-quality financial instruments, primarily money market funds, U.S. government and agency securities, government-sponsored bond obligations and certain other corporate debt securities, with the effective duration of the portfolio less than twelve months and no security with an effective duration in excess of twenty-four months, which we believe are subject to limited credit risk. We currently do not hedge interest rate exposure. Due to the short-term duration of our investment portfolio and the low risk profile of our investments, we believe that an immediate 10% change in interest rates would not have a material effect on the fair market value of our portfolio. We do not believe that we have any material exposure to interest rate risk or changes in credit ratings arising from our investments.

Effects of Inflation

Inflation generally affects us with increased cost of labor and clinical trial costs. We do not believe that inflation and changing prices had a significant impact on our results of operations for any periods presented herein.

Item 4. Controls and Procedures.***Definition and Limitations of Disclosure Controls***

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file under the Exchange Act, such as this Quarterly Report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our management evaluates these controls and procedures on an ongoing basis.

We carried out an evaluation, under the supervision of and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

Limitations on the Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

We are not party to any material pending legal proceedings. From time to time, we may be involved in legal proceedings arising in the ordinary course of business.

Item 1A. Risk Factors.

There have been no material changes to the risk factors included in our Annual Report on Form 10-K for the annual period ended December 31, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The exhibits filed or furnished as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index, which Exhibit Index is incorporated herein by reference.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.1	Office lease entered into as of January 10, 2019 with Four Tower Bridge Associates, a Pennsylvania Limited Partnership.*				X	
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X	
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X	

[Table of Contents](#)

32.1**	Certifications of Principal Executive Officer and Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
101.INS	XBRL Instance Document.	X
101.SCH	XBRL Taxonomy Extension Schema Document.	X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	X

* Certain portions of this exhibit have been redacted in accordance with Item 601(b)(10) of Regulation S-K.

** The certifications attached as Exhibit 32.1 that accompany this Quarterly Report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, shall not be deemed “filed” by the registrant for purposes of Section 18 of the Exchange Act and are not to be incorporated by reference into any of the registrant’s filings under the Securities Act or the Exchange Act, irrespective of any general incorporation language contained in any such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MADRIGAL PHARMACEUTICALS, INC.

Date: May 8, 2019

By: /s/ Paul A. Friedman, M.D.
Paul A. Friedman, M.D.
Chief Executive Officer
(Principal Executive Officer)

Date: May 8, 2019

By: /s/ Marc R. Schneebaum
Marc R. Schneebaum
Chief Financial Officer
(Principal Financial and Accounting Officer)

NOTE: CERTAIN INFORMATION IN THIS AGREEMENT HAS BEEN REDACTED BECAUSE IT (1) IS NOT MATERIAL TO INVESTORS AND (2) WOULD LIKELY CAUSE COMPETITIVE HARM IF PUBLICLY DISCLOSED. BRACKET REFERENCES CONTAINED HEREIN DENOTE PORTIONS OF THE AGREEMENT THAT HAVE BEEN REDACTED.



Tenant: Madrigal Pharmaceuticals, Inc.
Premises: Four Tower Bridge, Suite 200

LEASE

THIS LEASE (“Lease”) is entered into as of 1/10/2019, between FOUR TOWER BRIDGE ASSOCIATES, a Pennsylvania limited partnership (“Landlord”), and MADRIGAL PHARMACEUTICALS, INC., a Delaware corporation (“Tenant”).

In consideration of the mutual covenants stated below, and intending to be legally bound, Landlord and Tenant covenant and agree as follows:

1. KEY DEFINED TERMS.

- (a) “Abatement Period” means the period that begins on the Commencement Date and ends on the day immediately prior to the 2-month anniversary of the Commencement Date. During the Abatement Period, no Fixed Rent is due or payable, but Tenant shall pay to Landlord without regard to the Base Year (as defined in Section 5(a)), utilities for such Abatement Period, as set forth in Section 6.
- (b) “Additional Rent” means all rents, costs, and expenses other than Fixed Rent that Tenant is obligated to pay Landlord pursuant to this Lease.
- (c) “Broker” means Jones Lang LaSalle Brokerage, Inc.
- (d) “Building” means the building known as Four Tower Bridge located at 200 Barr Harbor Drive, West Conshohocken, Pennsylvania 19428, containing approximately 86,021 rentable square feet.
- (e) “Business Hours” means the hours of 6:00 a.m. to 7:30 p.m. on weekdays, excluding Building holidays.
- (f) “Commencement Date” means the date that is the earlier of: (i) the date on which Tenant first conducts any business in all or any portion of the Premises; or (ii) the later of Substantial Completion (as defined in Exhibit C) or February 1, 2019.
- (g) “Common Areas” means, to the extent applicable, the lobby, parking facilities, passenger elevators, rooftop terrace, fitness or health center, plaza and sidewalk areas, multi-tenanted floor restrooms, and other similar areas of unrestricted access at the Project or designated for the benefit of Building tenants, and the areas on multi-tenant floors in the Building devoted to corridors, elevator lobbies, and other similar facilities serving the Premises.
- (h) “Expiration Date” means the last day of the Term, or such earlier date of termination of this Lease pursuant to the terms hereof.
- (i) “Fixed Rent” means fixed rent in the amounts set forth below:

TIME PERIOD	FIXED RENT PER R.S.F.	ANNUALIZED FIXED RENT	MONTHLY INSTALLMENT
Commencement Date — end of Abatement Period	\$ 0.00	\$ 0.00	\$ 0.00
Fixed Rent Start Date — end of Rent Period 1	\$ [\$ [\$ [
Rent Period 2	\$	\$	\$
Rent Period 3 — End of Initial Term	\$]	\$]	\$]

- (j) “Fixed Rent Start Date” means the day immediately following the end of the Abatement Period.
- (k) “Initial Term” means the period commencing on the Commencement Date, and ending at

11:59 p.m. on: (i) if the Fixed Rent Start Date is the first day of a calendar month, the day immediately prior to the 36-month anniversary of the Fixed Rent Start Date; or (ii) if the Fixed Rent Start Date is not the first day of a calendar month, the last day of the calendar month containing the 36-month anniversary of the Fixed Rent Start Date.

(l) “Laws” means federal, state, county, and local governmental and municipal laws, statutes, ordinances, rules, regulations, codes, decrees, orders, and other such requirements, and decisions by courts in cases where such decisions are considered binding precedents in the County of Montgomery, Commonwealth of Pennsylvania in which the Premises are located (“State”), and decisions of federal courts applying the laws of the State, including without limitation Title III of the Americans with Disabilities Act of 1990, 42 U.S.C. § 12181 et seq. and its regulations.

(m) “Premises” means the space presently known as Suite 200 in the Building, as shown on Exhibit A attached hereto, which is deemed to contain 10,416 rentable square feet.

(n) “Project” means the Building, together with the parcel of land owned by Landlord upon which the Building is located, and all Common Areas.

(o) “Rent” means Fixed Rent and Additional Rent. Landlord may apply payments received from Tenant to any obligations of Tenant under the Lease then due and owing without regard to any contrary Tenant instructions or requests. Additional Rent shall be paid by Tenant in the same manner as Fixed Rent, without setoff, deduction, or counterclaim.

(p) “Rent Period” means, with respect to Rent Period 1, the period that begins on the Fixed Rent Start Date and ends on the last day of the calendar month preceding the month in which the first anniversary of the Fixed Rent Start Date occurs; thereafter each succeeding Rent Period (Rent Period 2 and 3) shall commence on the day following the end of the preceding Rent Period, and shall extend for a full 12 consecutive-month period thereafter, but no later than the end of the Initial Term.

(q) “Tenant’s NAICS Code” means Tenant’s 6-digit North American Industry Classification number under the North American Industry Classification System as promulgated by the Executive Office of the President, Office of Management and Budget, which is 541714.

(r) “Term” means the Initial Term together with any extension of the term of this Lease agreed to by the parties in writing.

2. PREMISES. Landlord leases to Tenant, and Tenant leases from Landlord, the Premises for the Term subject to the terms and conditions of this Lease. Landlord shall deliver to Tenant the Premises as of the Commencement Date with the Building Systems (as defined in Section 11(b)) in good and fully operational condition. [] condition, including without limitation its maintenance and repair obligations pursuant to Section 11 below.

3. TERM. The Term shall commence on the Commencement Date. The terms and provisions of this Lease are binding on the parties upon Tenant’s and Landlord’s execution of this Lease notwithstanding a later Commencement Date for the Term. The rentable area of the Premises and the Building on the Commencement Date shall be deemed to be as stated in Section 1. By the Confirmation of Lease Term substantially in the form of Exhibit B attached hereto (“COLT”). Landlord shall notify Tenant of the Commencement Date and all other matters stated therein. The COLT shall be conclusive and binding on Tenant as to all matters set forth therein unless, within 10 days following delivery of the COLT to Tenant, Tenant contests any of the matters contained therein by notifying Landlord in writing of Tenant’s objections.

4. FIXED RENT; LATE FEE.

(a) Tenant covenants and agrees to pay to Landlord during the Term, without notice, demand,

setoff, deduction, or counterclaim, Fixed Rent in the amounts set forth in Section 1. The monthly installment of Fixed Rent specified in Section 1(i), the monthly amount of Estimated Operating Expenses as set forth in Section 5, and any estimated amount of utilities as set forth in Section 6, shall be payable to Landlord in advance on or before the first day of each month of the Term. If the Fixed Rent Start Date is not the first day of a calendar month, then the Fixed Rent due for the partial month commencing on the Fixed Rent Start Date shall be prorated based on the number of days in such month. All Rent payments shall be made by check payable to Landlord or electronic funds transfer (at Tenant's option). All Rent payments shall include the Building number and the Lease number, which numbers will be provided to Tenant in the COLT.

(b) Contemporaneously with Tenant's execution and delivery of this Lease, Tenant shall pay to Landlord the monthly Fixed Rent for the first full calendar month of the Term after the Abatement Period (and, if the Commencement Date is February 1, 2019, then the Fixed Rent for the second full calendar month of the Term after the Abatement Period shall be due on May 1, 2019).

(c) If Landlord does not receive the full payment from Tenant of any Rent when due under this Lease (without regard to any notice and/or cure period to which Tenant might be entitled), Tenant shall also pay to Landlord, as Additional Rent, a late fee in the amount of [] of such overdue amount. Notwithstanding the foregoing, upon Tenant's written request, Landlord shall waive the above-referenced late fee 2 times during any 12 consecutive months of the Term provided Tenant makes the required payment within 3 days after receipt of notice of such late payment. With respect to any Rent payment (whether it be by check, ACH/wire, or other method) that is returned unpaid for any reason, Landlord shall have the right to assess a fee to Tenant as Additional Rent, which fee is currently \$40.00 per returned payment.

5. OPERATING EXPENSES.

(a) Certain Definitions.

(i) "Base Year" means calendar year 2019.

(ii) "Janitorial Expenses" means all costs associated with trash and garbage removal, recycling, cleaning, and sanitizing the Building, and the items of work set forth in Exhibit D attached hereto.

(iii) "Operating Expenses" means collectively Project Expenses, Janitorial Expenses, Taxes, and Project Utility Costs (as defined in Section 6).

(iv) "Project Expenses" means all costs and expenses paid, incurred, or accrued by Landlord in connection with the maintenance, operation, repair, and replacement of the Project including, without limitation: a management fee not to exceed 5% of gross rents and revenues from the Project; all costs associated with the removal of snow and ice from the Project; property management office rent; costs for flexible work and community space for tenants of Landlord and Landlord's affiliates; conference room and fitness center costs; security measures; transportation program costs; capital expenditures, repairs, and replacements, but only to the extent of the amortized costs of such capital item over the useful life of the improvement as reasonably determined by Landlord or, if greater, the actual savings created by such capital item for each year of the Term; valet, concierge, and card-access parking system costs; insurance premiums and deductibles paid or payable by Landlord with respect to the Project (excluding D&O insurance and other insurance unrelated to the Project operations); and the cost of providing those services required to be furnished by Landlord under this Lease. Notwithstanding the foregoing, "Project Expenses" shall not include any of the following: (A) repairs or other work occasioned by fire, windstorm or other insured casualty or by the exercise of the right of eminent domain to the extent Landlord actually receives insurance proceeds or condemnation awards therefor; (B) leasing commissions, accountants', consultants', auditors or attorneys' fees, costs and disbursements and other expenses incurred in connection with negotiations or disputes with other tenants or prospective tenants or other occupants, or associated with the enforcement of any other leases or the defense of Landlord's title to or interest in the real property or any part thereof; (C) costs incurred by Landlord in connection with the original construction of the Building and related facilities; (D) costs (including permit, license, and inspection fees) incurred in renovating or otherwise improving or decorating, painting, or redecorating leased space for other tenants or other occupants or vacant space; (E) interest on debt or amortization payments on any mortgage or deeds of trust or any other borrowings and any ground rent; (F) any compensation paid to clerks, attendants or other persons

in commercial concessions operated by Landlord; (G) any fines or fees for Landlord's failure to comply with Laws; (H) legal, accounting and other expenses related to Landlord's financing, refinancing, mortgaging or selling the Building or the Project; (I) any increase in an insurance premium caused by the non-general office use, occupancy, or act of another tenant; (J) costs for sculpture, decorations, painting, or other objects of art in excess of amounts typically spent for such items in office buildings of comparable quality in the competitive area of the Building; (K) cost of any political, charitable, or civic contribution or donation; (L) reserves for repairs, maintenance, and replacements; (M) Taxes; (N) cost of utilities directly metered or submetered to Building tenants and paid separately by such tenants, and Project Utility Costs; (O) fines, interest, penalties or liens arising by reason of Landlord's failure to pay any Project Expenses when due, except that Project Expenses shall include interest or similar charges if the collecting authority permits such Project Expenses to be paid in installments with interest thereon, such payments are not considered overdue by such authority and Landlord pays the Project Expenses in such installments; (P) costs and expenses associated with hazardous waste or hazardous substances not generated or brought to the Project by Tenant or its agents including but not limited to the cleanup of such hazardous waste or hazardous substances and the costs of any litigation (including, but not limited to reasonable attorneys' fees) arising out of the discovery of such hazardous waste or hazardous substances; (Q) the portion of any wages, salaries, fees, or fringe benefits paid to personnel above the level of regional property manager, not related directly to the operation, management, or repair of the Project; (R) costs of extraordinary services provided to other tenants of the Building or services to which Tenant is not entitled (including, without limitation, costs specially billed to and paid by specific tenants); (S) all costs relating to activities for the solicitation and execution of leases of space in the Building, including legal fees, real estate brokers' commissions, expenses, fees, and advertising, moving expenses, design fees, rental concessions, rental credits, tenant improvement allowances, lease assumptions or any other cost and expenses incurred in the connection with the leasing of any space in the Building; (T) costs representing an amount paid to an affiliate of Landlord (exclusive of any management fee permitted under the Operating Expense inclusions) to the extent in excess of market rates for comparable services if rendered by unrelated third parties; (U) costs arising from Landlord's default under this Lease or any other lease for space in the Building; (V) costs of selling the Project or any portion thereof or interest therein; (W) costs or expenses arising from the negligence of Landlord or its agents or employees; (X) costs incurred to remedy, repair, or otherwise correct violations of Laws that exist on the Commencement Date; or (Y) ground rents or rentals payable by Landlord pursuant to any over-lease.

(v) "Taxes" means all taxes, assessments, and other governmental charges, whether general or special, ordinary or extraordinary, foreseen or unforeseen, including without limitation business improvement district charges, improvement contributions paid to business improvement districts or similar organizations, gross receipts tax for the Building, and special assessments for public improvements or traffic districts, that are levied or assessed against, or with respect to the ownership of, all or any portion of the Project during the Term or, if levied or assessed prior to the Term, are properly allocable to the Term, business property operating license charges, and real estate tax appeal expenditures incurred by Landlord. "Taxes" shall not include: (i) any inheritance, estate, succession, transfer, gift, franchise, corporation, net income or profit tax or capital levy that is or may be imposed upon Landlord; or (ii) any transfer tax or recording charge resulting from a transfer of the Building or the Project; provided, however, if at any time during the Term the method of taxation prevailing at the commencement of the Term shall be altered such that in lieu of or as a substitute in whole or in part for any Taxes now levied, assessed, or imposed on real estate there shall be levied, assessed, or imposed: (A) a tax on the rents received from such real estate; or (B) a license fee measured by the rents receivable by Landlord from the Premises or any portion thereof; or (C) a tax or license fee imposed upon the Premises or any portion thereof, then the same shall be included in Taxes. Tenant may not file or participate in any Tax appeals for any tax lot in the Project. Further, "Taxes" shall not include any sales, use, use and occupancy, transaction privilege, or other excise tax that may at any time be levied or imposed upon Tenant, or measured by any amount payable by Tenant under this Lease, whether such tax exists on the date of this Lease or is adopted hereafter (collectively, "Other Taxes"). Tenant shall pay all Other Taxes monthly or otherwise when due, whether collected by Landlord or collected directly by the applicable governmental agency; if applicable Law requires Landlord to collect any Other Taxes, such Other Taxes shall be payable to Landlord as Additional Rent.

(vi) "Tenant's Share" means the rentable square footage of the Premises divided by the rentable square footage of the Building on the date of calculation, which on the date of this Lease is stipulated to be 12.11%.

(b) Commencing on the first day after the end of the Base Year and continuing thereafter during the Term, Tenant shall pay to Landlord in advance on a monthly basis, payable pursuant to Section 5(c) below,

Tenant's Share of: (i) Project Expenses to the extent Project Expenses exceed Project Expenses for the Base Year; (ii) Janitorial Expenses to the extent Janitorial Expenses exceed Janitorial Expenses during the Base Year; (iii) Taxes to the extent Taxes exceed Taxes for the Base Year; and (iv) Project Utility Costs. If the Building is operated as part of a complex of buildings or in conjunction with other buildings or parcels of land, then Landlord may prorate the common expenses and costs with respect to each such building or parcel of land in such manner as Landlord, in its sole but reasonable judgment, shall determine. Landlord shall calculate Operating Expenses using generally accepted accounting principles, and may allocate certain categories of Operating Expenses to the applicable tenants on a commercially reasonable basis.

(c) For each calendar year (or portion thereof) for which Tenant has an obligation to pay any Operating Expenses, Landlord shall send to Tenant a statement of the monthly amount of projected Operating Expenses due from Tenant for such calendar year ("Estimated Operating Expenses"), and Tenant shall pay to Landlord such monthly amount of Estimated Operating Expenses as provided in Section 5(b), without further notice, demand, setoff, deduction, or counterclaim. As soon as administratively available after each calendar year, Landlord shall send to Tenant a reconciliation statement of the actual Operating Expenses for the prior calendar year ("Reconciliation Statement"). If the amount actually paid by Tenant as Estimated Operating Expenses exceeds the amount due per the Reconciliation Statement, Tenant shall receive a credit in an amount equal to the overpayment, which credit shall be applied towards future Rent until fully credited. If the credit exceeds the aggregate future Rent owed by Tenant, and there is no Event of Default, Landlord shall pay the excess amount to Tenant within 30 days after delivery of the Reconciliation Statement. If Landlord has undercharged Tenant, then Landlord shall either send Tenant an invoice setting forth the additional amount due or indicate the amount due as part of the Reconciliation Statement, which amount (subject to and following the resolution of any good faith request challenge made by Tenant in accordance with Section 5(f) below) shall be paid in full by Tenant within 30 days after receipt of such invoice.

(d) If, during the Term, less than [] of the rentable area of the Building is or was occupied by tenants, Project Expenses, Janitorial Expenses, and Project Utility Costs shall be deemed for such year to be an amount equal to the costs that would have been incurred had the occupancy of the Building been at least [] throughout such year, as reasonably determined by Landlord and taking into account that certain expenses fluctuate with the Building's occupancy level (e.g., Janitorial Expenses) and certain expenses do not so fluctuate (e.g., landscaping). In addition, if Landlord is not obligated or otherwise does not offer to furnish an item or a service to a particular tenant or portion of the Building (e.g., if a tenant separately contracts with an office cleaning firm to clean such tenant's premises) and the cost of such item or service would otherwise be included in Project Expenses, Janitorial Expenses, and/or Project Utility Costs, Landlord shall equitably adjust the Project Expenses, Janitorial Expenses, and/or Project Utility Costs so the cost of the item or service is shared only by tenants actually receiving such item or service. All payment calculations under this Section shall be prorated for any partial calendar years during the Term and all calculations shall be based upon Project Expenses, Janitorial Expenses, and Project Utility Costs as grossed-up in accordance with the terms of this Lease. Tenant's obligations under this Section shall survive the Expiration Date.

(e) If Landlord or any affiliate of Landlord has elected to qualify as a real estate investment trust ("REIT"), any service required or permitted to be performed by Landlord pursuant to this Lease, the charge or cost of which may be treated as impermissible tenant service income under the laws governing a REIT, may be performed by an independent contractor of Landlord, Landlord's property manager, or a taxable REIT subsidiary that is affiliated with either Landlord or Landlord's property manager (each, a "Service Provider"). If Tenant is subject to a charge under this Lease for any such service, then at Landlord's direction Tenant shall pay the charge for such service either to Landlord for further payment to the Service Provider or directly to the Service Provider and, in either case: (a) Landlord shall credit such payment against any charge for such service made by Landlord to Tenant under this Lease; and (b) Tenant's payment of the Service Provider shall not relieve Landlord from any obligation under this Lease concerning the provisions of such services.

(f) Provided there is no outstanding default by Tenant under this Lease, Tenant shall have the right, at its sole cost and expense, to cause Landlord's records related to a Reconciliation Statement to be audited provided: (i) Tenant provides notice of its intent to audit such Reconciliation Statement within 2 months after receipt of the Reconciliation Statement; (ii) the audit is performed by a certified public accountant that has not been retained on a contingency basis or other basis where its compensation relates to the cost savings of Tenant; (iii) any such audit may not occur more frequently than once during each 12-month period of the Term, nor apply to any year prior to the

year of the then-current Reconciliation Statement being reviewed; (iv) the Base Year may be included in the audit only in the 1st year following the Base Year; (v) the audit is completed within 1 month after the date that Landlord makes all of the necessary and applicable records available to Tenant or Tenant's auditor; (vi) the contents of Landlord's records shall be kept confidential by Tenant, its auditor, and its other professional advisors, other than as required by applicable Law, and if requested by Landlord, Tenant and its auditor shall execute Landlord's standard confidentiality agreement as a condition to Tenant's audit rights under this paragraph; and (vii) if Tenant's auditor determines that an overpayment is due Tenant, Tenant's auditor shall produce a detailed report addressed to both Landlord and Tenant, which report shall be delivered within 15 days after Tenant's auditor's completion of the audit. During completion of Tenant's audit, Tenant shall nonetheless timely pay all of Tenant's Share of Operating Expenses as set forth in Section 5(b) without setoff or deduction. If Tenant's audit report discloses any discrepancy, Landlord and Tenant shall use good faith efforts to resolve the dispute. If the parties are unable to reach agreement within 30 days after Landlord's receipt of the audit report, Tenant shall have the right to refer the matter to a mutually acceptable independent certified public accountant, who shall work in good faith with Landlord and Tenant to resolve the discrepancy; provided if Tenant does not do so within such 30-day period, Landlord's calculations and the Reconciliation Statement at issue shall be deemed final and accepted by Tenant. The fees and costs of such independent accountant to which such dispute is referred shall be borne by the unsuccessful party and shall be shared pro rata to the extent each party is unsuccessful as determined by such independent certified public accountant, whose decision shall be final and binding. Within 30 days after resolution of the dispute, whether by agreement of the parties or a final decision of an independent accountant, Landlord shall pay or credit to Tenant, or Tenant shall pay to Landlord, as the case may be, all unpaid Operating Expenses due and owing.

6. UTILITIES.

(a) Commencing on the Commencement Date, and continuing throughout the Term, Tenant shall pay for utility services as follows without setoff, deduction, or counterclaim: (i) Tenant shall pay directly to the applicable utility service provider for any utilities that are separately metered (not submetered) to the Premises; (ii) Tenant shall pay Landlord for any utilities serving the Premises that are separately submetered based upon Tenant's submetered usage, as well as for any maintenance and replacement costs associated with such submeters; and (iii) Tenant shall pay Landlord for Tenant's Share of Project Utility Costs. "Project Utility Costs" means the total cost for all utilities serving the Project, excluding the costs of utilities that are directly metered or submetered to Building tenants or paid separately by such tenants. Notwithstanding anything to the contrary in this Lease, Landlord shall have the right to install meters, submeters, or other energy-reducing systems in the Premises at any time to measure any or all utilities serving the Premises, the costs of which shall be included in Project Expenses. For those utilities set forth in subsection (ii) above, Landlord shall invoice Tenant for such utilities as Additional Rent (payable within 20 days after receipt of an invoice therefor). For those utilities set forth in subsection (iii) above, Landlord shall have the right to either invoice Tenant for such utilities as Additional Rent (payable within 20 days after receipt of an invoice therefor), or together with Operating Expenses (but not include such costs in the Base Year). Landlord shall have the right to estimate the utility charge, which estimated amount shall be payable to Landlord within 20 days after receipt of an invoice therefor and may be included along with the invoice for Project Expenses, provided Landlord shall be required to reconcile on an annual basis based on utility invoices received for such period. The cost of utilities payable by Tenant under this Section shall include all applicable taxes and Landlord's then-current charges for reading the applicable meters, provided Landlord shall have the right to engage a third party to read the submeters, and Tenant shall reimburse Landlord for both the utilities consumed as evidenced by the meters plus the costs for reading the meters within 20 days after receipt of an invoice therefor. Tenant shall pay such rates as Landlord may establish from time to time, which shall not be in excess of any applicable rates chargeable by Law, or in excess of the general service rate or other such rate that would apply to Tenant's consumption if charged by the utility or municipality serving the Building or general area in which the Building is located. If Tenant fails to pay timely any direct-metered utility charges from the applicable utility provider, Landlord shall have the right but not the obligation to pay such charges on Tenant's behalf and bill Tenant for such costs plus the Administrative Fee (as defined in Section 17), which amount shall be payable to Landlord as Additional Rent within 20 days after receipt of an invoice therefor. Tenant shall at all times comply with the rules, regulations, terms, policies, and conditions applicable to the service, equipment, wiring, and requirements of the utility supplying electricity to the Building.

(b) For any separately metered utilities, Landlord is hereby authorized to request and obtain, on behalf of Tenant, Tenant's utility consumption data from the applicable utility provider for informational purposes and to enable Landlord to obtain full building Energy Star scoring for the Building. Landlord shall have the right to

shut down the Building systems (including electricity and HVAC systems) for required maintenance, safety inspections, or any other commercially reasonable reason, including without limitation in cases of emergency. Landlord shall not be liable for any interruption in providing any utility that Landlord is obligated to provide under this Lease, unless such interruption or delay: (i) renders the Premises or any material portion thereof untenable for the normal conduct of Tenant's business at the Premises, and Tenant has ceased using such untenable portion, provided Tenant shall first endeavor to use any generator that serves the Premises or of which Tenant has the beneficial use; (ii) results from Landlord's negligence or willful misconduct; and (iii) extends for a period longer than 7 consecutive days, in which case, Tenant's obligation to pay Fixed Rent shall be abated with respect to the untenable portion of the Premises that Tenant has ceased using for the period beginning on the 8th consecutive day after such conditions are met and ending on the earlier of: (A) the date Tenant recommences using the Premises or the applicable portion thereof; or (B) the date on which the service(s) is substantially restored. The rental abatement described above shall be Tenant's sole remedy in the event of a utility interruption, and Tenant hereby waives any other rights against Landlord in connection therewith. Landlord shall have the right to change the utility providers to the Project at any time. In the event of a casualty or condemnation affecting the Building and/or the Premises, the terms of Sections 14 and 15, respectively, shall control over the provisions of this Section.

(c) If Landlord reasonably determines that: (i) Tenant exceeds the design conditions for the heating, ventilation, and air conditioning ("HVAC") system serving the Premises, introduces into the Premises equipment that overloads such system, or causes such system to not adequately perform its proper functions; or (ii) the heavy concentration of personnel, motors, machines, or equipment used in the Premises, including telephone and computer equipment, or any other condition in the Premises caused by Tenant (for example, more than one shift per day or 24-hour use of the Premises), adversely affects the temperature or humidity otherwise maintained by such system, then Landlord shall notify Tenant in writing and Tenant shall have 10 days to remedy the situation to Landlord's reasonable satisfaction. If Tenant fails to timely remedy the situation to Landlord's reasonable satisfaction, Landlord shall have the right to install one or more supplemental air conditioning units in the Premises with the cost thereof, including the cost of installation, operation and maintenance, being payable by Tenant to Landlord within 30 days after Landlord's written demand. Tenant shall not change or adjust any closed or sealed thermostat or other element of the HVAC system serving the Premises without Landlord's express prior written consent. Landlord may install and operate meters or any other reasonable system for monitoring or estimating any services or utilities used by Tenant in excess of those required to be provided by Landlord (including a system for Landlord's engineer reasonably to estimate any such excess usage). If such system indicates such excess services or utilities, Tenant shall pay Landlord's reasonable charges for installing and operating such system and any supplementary air conditioning, ventilation, heat, electrical, or other systems or equipment (or adjustments or modifications to the existing Building systems and equipment), and Landlord's reasonable charges for such amount of excess services or utilities used by Tenant. All Tenant's Supplemental HVAC (as defined in Section 11(a) below) shall be separately metered to the Premises at Tenant's cost, and Tenant shall be solely responsible for all electricity registered by, and the maintenance and replacement of, such meters. Landlord has no obligation to keep cool any of Tenant's information technology equipment that is placed together in one room, on a rack, or in any similar manner ("IT Equipment"), and Tenant waives any claim against Landlord in connection with Tenant's IT Equipment. Landlord shall have the option to require that the computer room and/or information technology closet in the Premises shall be separately submetered at Tenant's expense, and Tenant shall pay Landlord for all electricity registered in such submeter. Within 1 month after written request, Tenant shall provide to Landlord electrical load information reasonably requested by Landlord with respect to any computer room and/or information technology closet in the Premises.

7. LANDLORD SERVICES.

(a) Subject to Section 5 and Section 6, Landlord shall provide the following to the Premises during the Term: (i) HVAC service in the respective seasons during Business Hours; (ii) electricity for lighting and standard office equipment for comparable buildings in the market in which the Project is located; (iii) water, sewer, and, to the extent applicable to the Building, gas, oil, and steam service; and (iv) cleaning services meeting the minimum specifications set forth in Exhibit D attached hereto. Tenant, at Tenant's expense, shall make arrangements with the applicable utility companies and public bodies to provide, in Tenant's name, telephone, cable, and any other utility service not provided by Landlord that Tenant desires at the Premises.

(b) Landlord shall not be obligated to furnish any services, supplies, or utilities other than as set forth in this Lease; provided, however, upon Tenant's prior request sent in accordance with Section 25(p) below,

Landlord may furnish additional services, supplies, or utilities, in which case Tenant shall pay to Landlord, immediately upon demand, Landlord's then-current charge for such additional services, supplies, or utilities, or Tenant's pro rata share thereof, if applicable, as reasonably determined by Landlord. Landlord's current rate for HVAC service outside of Business Hours requested with at least 24 hours' prior notice (or by noon for weekend service) is \$75.00 per hour, per zone, with a 2-hour minimum if the service does not commence immediately following the end of a day's Business Hours.

8. USE; SIGNS; PARKING; COMMON AREAS.

(a) Tenant shall use the Premises for general office use (non-medical) befitting a class A office building and storage incidental thereto, and for no other purpose ("Permitted Use"). Tenant's use of the Premises for the Permitted Use shall be subject to all applicable Laws, and to all reasonable requirements of the insurers of the Building. Tenant represents and warrants to Landlord, for informational purposes only, that Tenant's current NAICS Code is set forth in Section 1 hereof, provided the foregoing shall not be construed in any manner as a restriction on the Permitted Use.

(b) Landlord shall provide Tenant with Building-standard identification signage on any Building lobby directories and at the main entrance to the Premises, and directional signage at the elevator lobbies on any multi-tenant floors, the costs of which shall be paid for by Landlord for the originally named Tenant, otherwise by Tenant as Additional Rent within 10 days after written demand. Tenant shall not place, erect, or maintain any signs at the Premises, the Building, or the Project that are visible from outside of the Building.

(c) Subject to the Building rules and regulations, Tenant shall have the nonexclusive right in common with others to use the Common Areas for their intended purposes. Not in limitation of the foregoing, Tenant has the nonexclusive right to use the parking facilities at the Project for parking standard-size automobiles of Tenant and its employees, with Tenant being entitled to unreserved parking at a ratio of no more than 3.2 per 1,000 square feet of rentable area of the Premises (rounded downward).

(d) Landlord shall have the right in its sole discretion to, from time to time, construct, maintain, operate, repair, close, limit, take out of service, alter, change, and modify all or any part of the Common Areas. Without limitation of Landlord's rights pursuant to the preceding sentence, Landlord may restrict or limit Tenant's utilization of the parking facilities if the same become overburdened or to provide reserved parking and in such case to equitably allocate on a proportionate basis or assign parking spaces among Tenant and the other tenants of the Building. Landlord, Landlord's agents, approved contractors, and utility service providers shall have the right to install, use, and maintain ducts, pipes, wiring, and conduits in and through the Premises provided such use does not cause the usable area of the Premises to be reduced beyond a de minimis amount.

(e) Subject to Landlord's security measures and Force Majeure Events (as defined in Section 25(g)), Landlord shall provide Tenant with access to the Building and, if applicable, passenger elevator service for use in common with others for access to and from the Premises 24 hours per day, 7 days per week, except during emergencies. Landlord shall have the right to limit the number of elevators (if any) to be operated during repairs and during non-Business Hours. If applicable, Landlord shall provide Tenant with access to the freight elevator(s) of the Building from time to time following receipt of Tenant's prior request.

9. TENANT'S ALTERATIONS.

(a) Tenant shall not, and shall not permit any Tenant Agent to, cut, drill into, or secure any fixture, apparatus, or equipment, or make alterations, improvements, or physical additions of any kind to any part of the Premises (collectively, "Alterations") without first obtaining the written consent of Landlord, which consent shall not be unreasonably withheld, conditioned, or delayed. "Tenant Agent" means any agent, employee, subtenant, assignee, contractor, client, family member, licensee, customer, invitee, or guest of Tenant. All Alterations shall be completed in compliance with all applicable Laws, and Landlord's rules and regulations for construction, and sustainable guidelines and procedures, using new or comparable materials only, by a contractor reasonably approved in writing by Landlord, and on days and at times reasonably approved in writing by Landlord. Notwithstanding the foregoing, Landlord's consent shall not be required for any Alteration costing less than [] and that: (i) is nonstructural; (ii) does not impact any of the Building systems, involve electrical or drywall work, require a building

permit, materially affect the air quality in the Building, or require Landlord to incur additional costs as a result thereof; and (iii) is not visible from outside of the Premises.

(b) Throughout the performance of Alterations, Tenant shall carry, or cause any contractor, subcontractor, or design professional to carry, via written contract, workers' compensation insurance in statutory limits together with employer's liability insurance, commercial general liability insurance (including, but not limited to, coverage for ongoing and products-completed operations), automobile liability, and umbrella/excess liability insurance in like form and limits in accordance with the terms and conditions required of Tenant under Section 12 below, and such other insurance coverage and limits as Landlord may otherwise reasonably require, which may include, without limitation, reasonable amounts of professional liability insurance with respect to design professionals, as well as contractor's pollution liability with respect to contractors and subcontractors. Tenant shall also require any such contractor, subcontractor, or design professional to satisfy the same additional coverage terms as required of Tenant under Section 12 below with respect to naming Landlord, Landlord's Property Manager, and Additional Insureds (as defined in Section 12) and any other applicable party whose name and address shall have been furnished to Tenant each as an additional insured, which have been furnished to Tenant by way of endorsement ISO CG 20 37 together with CG 20 10 or their equivalent, which shall be primary, and any other insurance that may be available to Landlord and any such additional insured will be excess and noncontributory, and waiving all rights of recovery and subrogation. In addition, Tenant shall carry "all risk" Builder's Risk insurance covering the Alterations, unless otherwise agreed upon in writing by Landlord and Tenant. Tenant shall provide to Landlord prior written notice of its intention to perform any Alteration, together with a certificate of insurance from each contractor evidencing that the insurance required under this Lease is in effect during all construction activities.

(c) Tenant shall provide Landlord with a release of liens from all contractors, subcontractors, and design professionals associated with all Alterations. Tenant shall be solely responsible for the installation and maintenance of its data, telecommunication, and security systems and wiring at the Premises, which shall be done in compliance with all applicable Laws, and Landlord's rules and regulations. Tenant shall be responsible for all elements of Alterations (including, without limitation, compliance with Laws, and functionality of the design), and Landlord's approval of any Alteration and the plans therefor shall in no event relieve Tenant of the responsibility for such design, or create responsibility or liability on Landlord's part for their completeness, design sufficiency, or compliance with Laws. With respect to all improvements and Alterations made after the date hereof, Tenant acknowledges that: (A) Tenant is not, under any circumstance, acting as the agent of Landlord; (B) Landlord did not cause or request such Alterations to be made; (C) Landlord has not ratified such work; and (D) Landlord did not authorize such Alterations within the meaning of applicable State statutes. Nothing in this Lease or in any consent to the making of Alterations or improvements shall be deemed or construed in any way as constituting a request by Landlord, express or implied, to any contractor, subcontractor, or supplier for the performance of any labor or the furnishing of any materials for the use or benefit of Landlord. Tenant shall not overload any floor or part thereof in the Premises or the Building, including any public corridors or elevators, by bringing in, placing, storing, installing or removing any large or heavy articles, and Landlord may prohibit, or may direct and control the location and size of, safes and all other heavy articles, and may require, at Tenant's sole cost and expense, supplementary supports of such material and dimensions as Landlord may deem necessary to properly distribute the weight.

10. ASSIGNMENT AND SUBLETTING.

(a) Except as expressly permitted pursuant to Section 10(c), neither Tenant nor Tenant's legal representatives or successors-in-interest by operation of law or otherwise, shall sell, assign, transfer, hypothecate, mortgage, encumber, grant concessions or licenses, sublet, or otherwise dispose of all or any interest in this Lease or the Premises, or permit any person or entity other than Tenant to occupy any portion of the Premises (each of the foregoing is a "Transfer" to a "Transferee"), without Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned, or delayed. Any Transfer effected without Landlord's prior written consent (other than pursuant to Section 10(c)) shall constitute an Event of Default and shall, at Landlord's option, be void and/or terminate this Lease. For purposes of this Lease, a Transfer shall include, without limitation, any assignment by operation of law or any merger, consolidation, or sale of all or substantially all of the assets transaction involving Tenant, but shall not include any change in the ownership of any Tenant common stock involving any stockholder of Tenant at any time while Tenant's financial statements are publicly available online at no cost to Landlord. Consent by Landlord to any one Transfer shall be held to apply only to the specific Transfer authorized, and shall not be construed as a waiver of the duty of Tenant, or Tenant's legal representatives or assigns, to obtain from Landlord

consent to any other or subsequent Transfers pursuant to the foregoing, or as modifying or limiting the rights of Landlord under the foregoing covenant by Tenant.

(b) Without limiting the bases upon which Landlord may reasonably withhold its consent to a proposed Transfer, excluding in all cases any Transfer pursuant to Section 10(c), it shall not be unreasonable for Landlord to withhold its consent if: (i) the proposed Transferee shall have a net worth that is not acceptable to Landlord in Landlord's reasonable discretion, taking into account the remaining obligations under this Lease and the fact that Tenant is not released; (ii) the proposed Transferee, in Landlord's reasonable opinion, is not reputable and of good character; (iii) the portion of the Premises requested to be subleased renders the balance of the Premises unleaseable as a separate area; (iv) Tenant is proposing a sublease at a rental or sub-rental rate that is less than the then-current rental rates under this Lease for the portion of the Premises being subleased; (v) Tenant is proposing to Transfer to an existing tenant of the Building or another property owned by Landlord or Landlord's affiliate(s), or to another prospect with whom Landlord or Landlord's affiliate(s) are then negotiating in the market of which the Building is a part, and Landlord has comparable space available to lease to such proposed Transferee; (vi) the proposed assignee or sublessee would cause any of Landlord's existing parking facilities to be reasonably inadequate, or in violation of code requirements, or require Landlord to increase the parking area or the number of parking spaces to meet code requirements; or (vii) the nature of such Transferee's proposed business operation would or might reasonably violate the terms of this Lease or of any other then-existing lease for the Building (including any exclusivity provisions), or would, in Landlord's reasonable judgment, otherwise be incompatible with other tenancies in the Building.

(c) Notwithstanding anything to the contrary in this Lease, Tenant shall have the right without the prior [(iv) the use of the Premises shall not change, and the Permitted Transferee shall be reputable and of good character befitting a class A office building; (v) such Transfer is not principally for the purpose of transferring the leasehold estate created by this Lease; and (vi) [An "Affiliate" of Tenant means a person or entity that prior to any Transfer directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with Tenant; provided, for such purposes beneficial ownership (as defined in Rule 13d-3 of the Securities Exchange Act of 1934, as amended) of 50% or more of such equity interests shall constitute control.

(d) If at any time during the Term Tenant desires to complete a Transfer, Tenant shall give written notice to Landlord together with the Transfer Information. If: (i) Tenant desires to assign this Lease or to sublease the entire Premises other than pursuant to Section 10(c), Landlord shall have the right to accelerate the Expiration Date so that the Expiration Date shall be the date on which the proposed assignment or sublease would be effective; or (ii) Tenant desires to sublease less than the entire Premises other than to an Affiliate, Landlord shall have the right to accelerate the Expiration Date with respect to (that is, recapture) the portion of the Premises that Tenant proposes to sublease (and in each case, a pro rata portion of Tenant's parking rights shall also expire on such accelerated Expiration Date). If Landlord elects to accelerate the Expiration Date pursuant to this paragraph, Tenant shall have the right to rescind its request for Landlord's consent to the proposed assignment or sublease by giving written notice of such rescission to Landlord within 10 days after Tenant's receipt of Landlord's acceleration election notice. If Tenant does not so rescind its request: (A) Tenant shall deliver the Premises or the applicable portion thereof to Landlord in the same condition as Tenant is, by the terms of this Lease, required to deliver the Premises to Landlord upon the Expiration Date; and (B) Fixed Rent and Tenant's Share shall be reduced on a per rentable square foot basis for the area of the Premises that Tenant no longer leases. If Landlord elects to accelerate the Expiration Date for less than the entire Premises, the cost of erecting any demising walls, entrances, and entrance corridors, and any other improvements required in connection therewith shall be performed by Landlord, with the cost thereof being divided evenly between Landlord and Tenant.

(e) The “Transfer Information” means the following information: (i) a copy of the fully executed [] and (iii) for any Transfer, other than pursuant to Section 10(c), such other reasonably requested information by Landlord needed to confirm or determine Tenant’s compliance with the terms and conditions of this Section.

(f) Any sums or other economic consideration received by Tenant, excluding in all cases any Transfer pursuant to Section 10(c), as a result of any Transfer (except rental or other payments received that are attributable to the amortization of the cost of leasehold improvements made to the transferred portion of the Premises by Tenant for the Transferee, and other reasonable expenses incident to the Transfer, including standard leasing commissions) whether denominated rentals under the sublease or otherwise, that exceed, in the aggregate, the total sums which Tenant is obligated to pay Landlord under this Lease (prorated as applicable to reflect obligations allocable to that portion of the Premises subject to such Transfer) shall, at Landlord’s option, either be retained by Tenant in full or divided evenly between Landlord and Tenant, with Landlord’s portion being payable to Landlord as Additional Rent without affecting or reducing any other obligation of Tenant hereunder.

(g) Regardless of Landlord’s consent to a proposed Transfer, no Transfer shall release Tenant from Tenant’s obligations or alter Tenant’s primary liability to fully and timely pay all Rent when due from time to time under this Lease and to fully and timely perform all of Tenant’s other obligations under this Lease, and the originally named Tenant and all assignees shall be jointly and severally liable for all Tenant obligations under this Lease. The acceptance of rental by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision hereof. If a Transferee defaults in the performance of any of the terms of this Lease, Landlord may proceed directly against the originally named Tenant without the necessity of exhausting remedies against such Transferee. If there has been a Transfer and an Event of Default occurs, Landlord may collect Rent from the Transferee and apply the net amount collected to the Rent herein reserved; but no such collection shall be deemed a waiver of the provisions of this Section, an acceptance of such Transferee as tenant hereunder or a release of Tenant from further performance of the covenants herein contained.

11. REPAIRS AND MAINTENANCE.

(a) Except with respect to Landlord Repairs (as defined below), Tenant, at Tenant’s expense, shall keep and maintain the Premises in good order and condition including promptly making all repairs necessary to keep and maintain such in good order and condition. When used in this Lease, “repairs” shall include repairs and any reasonably necessary replacements. Tenant shall have the option of replacing lights, ballasts, tubes, ceiling tiles, outlets and similar equipment itself or advising Landlord of Tenant’s desire to have Landlord make such repairs, in which case Tenant shall pay to Landlord for such repairs at Landlord’s then-standard rate. To the extent that Tenant requests that Landlord make any other repairs that are Tenant’s obligation to make under this Lease, Landlord may elect to make such repairs on Tenant’s behalf, at Tenant’s expense, and Tenant shall pay to Landlord such expense along with the Administrative Fee. If Tenant has been in default under this Lease, Landlord may elect to require that Tenant prepay the amount of such repair. All Tenant repairs shall comply with Laws and utilize materials and equipment that are at least equal in quality, number, and usefulness to those originally used in constructing the Building and the Premises. In addition, Tenant shall maintain, at Tenant’s expense, Tenant’s Supplemental HVAC, Premises Hot Water Heaters, and/or Alterations in a clean and safe manner and in proper operating condition throughout the Term. “Tenant’s Supplemental HVAC” means any supplemental HVAC system serving the Premises (regardless of who installed it). “Premises Hot Water Heater” means any hot water heater serving the Premises (regardless of who installed it), including without limitation expansion tanks and any associated piping. Tenant shall maintain Tenant’s Supplemental HVAC under a service contract with a firm and upon such terms as may be reasonably satisfactory to Landlord, including inspection and maintenance on at least a semiannual basis, and provide Landlord with a copy thereof. Within 5 days after Landlord’s request, Tenant shall provide Landlord with evidence that such contract is in place. Further, Tenant shall ensure that all Premises Hot Water Heaters have a working automatic water shut-off device with audible alarm and a leak pan underneath with the drain line run to a suitable floor drain. All repairs to the Building and/or the Project made necessary by reason of the installation, maintenance, and operation of

Tenant's Supplemental HVAC, Premises Hot Water Heaters, and Alterations shall be Tenant's expense. In the event of an emergency, such as a burst waterline or act of God, Landlord shall have the right to make repairs for which Tenant is responsible hereunder (at Tenant's cost) without giving Tenant prior notice, but in such case, Landlord shall provide notice to Tenant as soon as practicable thereafter, and Landlord shall take commercially reasonable steps to minimize the costs incurred. Further, Landlord shall have the right to make repairs for which Tenant is responsible hereunder (at Tenant's cost) with prior notice to Tenant if Landlord believes in its sole and absolute discretion that the repairs are necessary to prevent harm or damage to the Building, and Landlord shall take commercially reasonable steps to minimize the costs incurred.

(b) Landlord, at Landlord's expense (except to the extent such expenses are includable in Project Expenses), shall make all necessary repairs to the following to maintain them in good repair and condition: (i) the footings and foundations and the structural elements of the Building; (ii) the roof of the Building; (iii) the HVAC, plumbing, mechanical, elevator, electric, fire protection and fire alert systems within the Building for service to the Premises (the "Building Systems"), but specifically excluding Tenant's Supplemental HVAC, Premises Hot Water Heaters, and Alterations; (iv) the Building exterior; and (v) the Common Areas (collectively, "Landlord Repairs"). Any provision of this Lease to the contrary notwithstanding, any repairs to the Project or any portion thereof made necessary by the negligent or willful act or omission of, or default under this Lease by, Tenant or any Tenant Agent shall be made at Tenant's expense, subject to the waivers set forth in Section 12(g).

(c) The parties agree it is in their mutual best interest that the Building and Premises be operated and maintained in a manner that is environmentally responsible, fiscally prudent, and provides a safe and productive work environment. Accordingly, Tenant shall use commercially reasonable efforts to conduct its operations in the Building and within the Premises to: (1) minimize to the extent reasonably feasible: (i) direct and indirect energy consumption and greenhouse gas emissions; (ii) water consumption; (iii) the amount of material entering the waste stream; and (iv) negative impacts upon the indoor air quality of the Building; and (2) permit the Building to maintain its LEED rating and an Energy Star label, to the extent applicable. Landlord shall use commercially reasonable efforts to operate and maintain the Common Areas of the Building to: (1) minimize to the extent reasonably feasible: (i) direct and indirect energy consumption and greenhouse gas emissions; (ii) water consumption; (iii) the amount of material entering the waste stream; and (iv) negative impacts upon the indoor air quality of the Building; and (2) permit the Building to maintain its LEED rating and an Energy Star label, to the extent applicable, the costs of which shall be included in Project Expenses (except to the extent otherwise not permitted).

12. INSURANCE: SUBROGATION RIGHTS.

(a) Tenant shall not do, or permit anything to be done, or keep or permit anything to be kept in the Premises, that would subject Landlord to any liability or responsibility for personal injury or death or property damage, increase any insurance rate in respect of the Project over the rate that would otherwise then be in effect, result in insurance companies of good standing refusing to insure the Project in amounts reasonably satisfactory to Landlord, or result in the cancellation of, or the assertion of any defense by the insurer in whole or in part to claims under, any policy of insurance in respect of the Project. If, by reason of any failure of Tenant to comply with this Lease, the premiums on Landlord's insurance on the Project are higher than they otherwise would be, Tenant shall reimburse Landlord, on demand, for that part of such premiums attributable to such failure on the part of Tenant.

(b) Tenant, at Tenant's expense, shall obtain and keep in full force and effect at all times as of the Commencement Date (or Tenant's earlier accessing of the Premises), all of the following insurance policies:

(i) commercial general liability insurance written on an ISO CG 00 01 occurrence policy form or its equivalent, including a Separation of Insureds clause, coverage for contractual liability covering Tenant's contractual obligations under this Lease as an insured contract, personal injury liability, host liquor liability, premises-operations and hazards thereto, as well as liability arising out of this Lease in respect of the Premises and the conduct or operation of business therein. The minimum limits of coverage shall be no less than \$1,000,000 per occurrence and \$2,000,000 general aggregate (applying per location) for bodily injury (including death and mental anguish) and property damage, \$1,000,000 personal and advertising injury, and \$2,000,000 products-completed operations (for which coverage shall be maintained continuously for a minimum period equal to the applicable statute of limitations or statute of repose, whichever is greater) or in such other amounts as Landlord may from time to time require.

(ii) workers' compensation in statutory limits together with employer's liability insurance in amounts of no less than [] each employee.

(iii) umbrella/excess liability insurance on a follow form basis in amounts of no less than \$9,000,000 per occurrence and \$9,000,000 annual aggregate (applying per location) in excess of commercial general liability, employer's liability, and automobile liability insurance policies, concurrent to, and no more restrictive than such underlying insurance policies. Such policy shall be endorsed to provide that this insurance is primary to, and noncontributory with, any other insurance in which Landlord and any Additional Insured is an insured, whether such other insurance is primary, excess, self-insurance, or insurance on any other basis, which must cause the umbrella/excess coverage to be vertically exhausted, whereby such coverage is not subject to any "Other Insurance" provision under Tenant's umbrella/excess liability policy. The limits of liability may be satisfied by a combination of primary and excess liability insurance.

(iv) property insurance written on an ISO CP 10 30-Cause of Loss-Special Form, commonly referred to as the "all risk" policy form, or its equivalent, including, but not limited to, coverage against sprinkler leakage and other damage due to water, fire, windstorm, cyclone, tornado, hail, earthquake, explosion, riot, civil commotion, aircraft, vehicle, smoke damage, vandalism, and malicious mischief insuring all present and future Tenant's Property leased by or in the care, custody, and control of Tenant and located in the Premises in an amount of no less than the full replacement cost thereof, with an agreed amount endorsement (waiving applicable co-insurance clause). "Tenant's Property" means Tenant's trade fixtures, equipment, personal property, signage, and Specialty Alterations (as defined in Section 18(b)). Tenant shall not self-insure. Tenant shall neither have, nor make, any claim against Landlord for any loss or damage to Tenant's Property, regardless of the cause of the loss or damage, including, without limitation, fire, explosion, falling plaster, steam, gas, air contaminants or emissions, electricity, electrical or electronic emanations or disturbance, water, rain, snow, or leaks from any part the Building or from the pipes, appliances, equipment, or plumbing works or from the roof or from any other place, nor shall Landlord be liable for any loss of or damage to property of Tenant or of others entrusted to employees of Landlord.

(v) business interruption insurance covering any loss due to the occurrence of any of the hazards required to be insured against by Tenant pursuant to this Lease, in an amount sufficient to cover Tenant's monetary obligations under this Lease for a period of at least 12 months.

(vi) boiler and machinery, if there is a boiler, supplemental air conditioning unit, or pressure object or similar equipment in the Premises. When applicable, this insurance coverage requirement may be satisfied through the all-risk coverage required in Section 12(b)(v).

(c) All insurance policies required of Tenant under this Lease, including ongoing and products-completed operations coverage but exclusive of workers' compensation, shall name Landlord, Landlord's property manager, Brandywine Realty Trust, and any other applicable party whose name and address have been furnished to Tenant, each as an additional insured (collectively, "Additional Insureds"). All such coverages shall be primary and any other insurance that may be available to Landlord and any Additional Insured will be excess and noncontributory. Each Additional Insured shall be afforded coverage as broad as if this Lease had expressly covered the claim against the Additional Insured, and for the greater of the minimum amount called for by this Lease or Tenant's actual policy limit.

(d) Prior to the Commencement Date (or Tenant's earlier accessing of the Premises), Tenant shall provide Landlord and/or Landlord's designated agent with certificates that evidence that all insurance coverages required under this Lease are in place for the policy periods. Tenant shall also furnish to Landlord and/or Landlord's designated agent throughout the Term replacement certificates at least 30 days prior to the expiration dates of the then-current policy or policies or, upon request by Landlord and/or Landlord's designated agent from time to time, sufficient information to evidence that the insurance required under this Section is in full force and effect. In addition, all such policies shall contain a provision whereby the same cannot be canceled or materially altered without at least 30 days' prior written notice of such cancellation or material alteration provided to Landlord, which shall be afforded by policy endorsement extending such notice to Landlord. Tenant shall include a waiver of the insurer's right of subrogation against Landlord and Additional Insureds during the Term in each of Tenant's liability and workers' compensation

policies. If Tenant fails to provide Landlord and/or Landlord's designated agent with a requested insurance certificate as required under this Lease within 30 days after receipt of Landlord's written request therefor, Tenant shall pay to Landlord a fee equal to \$25.00 for each day that elapses after such 30-day period until Landlord and/or Landlord's designated agent receives the requested certificate. In no event will any acceptance of certificates of insurance by Landlord, or failure of Tenant to provide certificates of insurance as required hereunder, be construed as a waiver or limitation of Tenant's obligations to maintain insurance coverage pursuant to this Section 12. All insurance required under this Lease shall be issued by an insurance company that has been in business for at least 5 years, is authorized to do business in the State, and is rated "A-/X" or greater by A.M. Best's Insurance Reports or any successor publication of comparable standing. The limits of any such required insurance shall not in any way limit Tenant's liability under this Lease or otherwise. If Tenant fails to maintain such insurance, Landlord may, but shall not be required to, procure and maintain the same, at Tenant's expense, which expense shall be reimbursed by Tenant as Additional Rent within 10 days after written demand. The deductible or self-insured retention amount required under any insurance policy maintained by Tenant shall be the sole responsibility of Tenant and not exceed \$25,000, unless otherwise approved by Landlord in writing.

(e) When Alterations are in process, Tenant shall carry, or cause, any contractor, subcontractor, and design professional to carry the insurance specified in Section 9. In addition, Tenant shall require its movers and other vendors to procure insurance in like forms and amounts as required herein and deliver to Landlord and/or Landlord's designated agent a certificate of insurance naming each Additional Insured as an additional insured, which policies shall be primary and any other insurance that may be available to Landlord and any Additional Insured will be excess and noncontributory.

(f) Landlord shall obtain and maintain, or cause to be obtained or maintained, the following insurance during the Term: (i) replacement cost insurance including "all risk" property insurance on the Building, including without limitation leasehold improvements (exclusive of Tenant's Property); (ii) commercial general liability insurance (including bodily injury and property damage) covering Landlord's operations at the Project in amounts reasonably required by Landlord or any Mortgagee (as defined in Section 16); and (iii) such other insurance as reasonably required by Landlord or any Mortgagee.

(g) Landlord and Tenant shall each include in each of its insurance policies (insuring the Building in case of Landlord, and insuring Tenant's Property in the case of Tenant, against loss, damage, or destruction by fire or other casualty) a waiver of the insurer's right of subrogation against the other party during the Term, and consent to a waiver of right of recovery pursuant to the terms of this paragraph. Both Landlord and Tenant agree to promptly give each insurance company which has issued to it policies of insurance written notice of the terms of such mutual waivers and to cause such insurance policies to be properly endorsed, if necessary, to prevent the invalidation thereof by reason of such waivers. Notwithstanding anything to the contrary in this Lease: (I) each party hereby waives, releases, and agrees not to make any claim against or seek to recover from, the other party with respect to any claim (including a claim for negligence) that such party might otherwise have against the other party for loss, damage, or destruction with respect to its property occurring during the Term to the extent to which such party is, or is required to be, insured under a policy or policies containing a waiver of subrogation or permission to release liability; and (II) all waivers of subrogation and rights of recovery required hereunder shall also apply to each of the waiving party's insurance policies' deductible(s)/self-insured retention(s). Nothing contained in this Section 12(g) shall be deemed to relieve either party of any duty imposed elsewhere in this Lease to repair, restore, or rebuild, or nullify any abatement of rents provided for elsewhere in this Lease.

13. INDEMNIFICATION.

(a) Except to the extent the release of liability and waiver of subrogation provided in Section 12 above applies, Tenant shall defend, indemnify, and hold harmless Landlord, Landlord's property manager, Brandywine Realty Trust, and each of Landlord's directors, officers, members, partners, trustees, employees, and agents (collectively, "Landlord Indemnitees") from and against any and all third-party claims, actions, damages, liabilities, and expenses (including all reasonable costs and expenses (including reasonable attorneys' fees)) to the extent arising out of or from or related to: (i) any breach or default of any of Tenant's obligations under this Lease; (ii) any negligence or willful act or omission of Tenant, any Tenant Indemnitees (as defined below), or any Tenant Agent, in each case in connection with this Lease or the use or occupancy or manner of use or occupancy of the Premises; and (iii) except to the extent arising from Landlord's negligence or breach of this Lease, any acts or

omissions occurring at, or the condition, use, or operation of, the Premises. If Tenant fails to promptly defend a Landlord Indemnitee following written demand by the Landlord Indemnitee, the Landlord Indemnitee shall defend the same at Tenant's expense, by retaining or employing counsel reasonably satisfactory to such Landlord Indemnitee.

(b) Except to the extent the release of liability and waiver of subrogation provided in Section 12 above applies, Landlord shall defend, indemnify, and hold harmless Tenant and each of Tenant's directors, officers, partners, trustees, employees, and agents (collectively, "Tenant Indemnitees") from and against any and all third-party claims, actions, damages, liabilities, and expenses (including all reasonable costs and expenses (including reasonable attorneys' fees)) to the extent arising out of or from or related to: (i) any breach or default of any of Landlord's obligations under this Lease; and (ii) any negligence of Landlord or any Landlord Indemnitees or breach of this Lease by Landlord. If Landlord fails to promptly defend a Tenant Indemnitee following written demand by the Tenant Indemnitee, the Tenant Indemnitee shall defend the same at Landlord's expense, by retaining or employing counsel reasonably satisfactory to such Tenant Indemnitee.

(c) Landlord's and Tenant's obligations under this Section shall not be limited by the amount or types of insurance maintained or required to be maintained under this Lease. The provisions of this Section shall survive the Expiration Date.

14. CASUALTY DAMAGE. If there occurs any casualty to the Project and: (i) insurance proceeds are unavailable to Landlord or are insufficient to restore the Project to substantially its pre-casualty condition; or (ii) more than 30% of the total area of the Building is damaged, Landlord shall have the right to terminate this Lease and all the unaccrued obligations of the parties hereto, by sending written notice of such termination to Tenant within 60 days after such casualty. Such notice shall specify a termination date not fewer than 30 nor more than 90 days after such notice is given to Tenant. If there occurs any casualty to the Premises and: (i) in Landlord's reasonable judgment, the repair and restoration work would require more than 210 consecutive days to complete after the casualty (assuming normal work crews not engaged in overtime); or (ii) the casualty occurs during the last 12 months of the Term, Landlord and Tenant shall each have the right to terminate this Lease and all the unaccrued obligations of the parties hereto, by sending written notice of such termination to the other party within 60 days after the date of such casualty. Such notice shall specify a termination date not fewer than 30 nor more than 90 days after such notice is given to the other party, but in no event shall the termination date be after the last day of the Term. Notwithstanding the foregoing, if the casualty was caused by the act or omission of Tenant or any Tenant Agent, Tenant shall have no right to terminate this Lease due to the casualty. If there occurs any casualty to the Premises and neither party terminates this Lease, then Landlord shall use commercially reasonable efforts to cause the damage to be repaired (exclusive of Tenant's Property) to a condition as nearly as practicable to that existing prior to the damage, with commercially reasonable speed and diligence, subject to delays that may arise by reason of adjustment of the loss under insurance policies, Laws, and Force Majeure Events, provided if such damage was caused by the act or omission of Tenant or any Tenant Agent, then Tenant shall pay Landlord the amount by which Landlord's cost to repair exceeds the insurance proceeds, if any, actually received by Landlord on account of such damage (or, if Landlord fails to maintain the insurance required by Section 12, that Landlord would have received to the extent Landlord maintained such insurance required by Section 12). Landlord shall not be liable for any inconvenience or annoyance to Tenant or Tenant Indemnitees, injury to Tenant's business, or pain and suffering, resulting in any way from such damage or the repair thereof. Notwithstanding the foregoing, Tenant's obligation to pay Fixed Rent and Additional Rent shall be equitably adjusted or abated during the period (if any) during which Tenant is not reasonably able to use the Premises or an applicable portion thereof as a result of such casualty. Tenant shall have no right to terminate this Lease as a result of any damage or destruction of the Premises, except as expressly provided in this Section. The provisions of this Lease, including this Section, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, and any Law with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any other statute or regulation, now or hereafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises.

15. CONDEMNATION. If a taking renders the Building reasonably unsuitable for the Permitted Use, this Lease shall, at either party's option exercised by written notice to the other within 30 days after such taking, terminate as of the date title to condemned real estate vests in the condemner, the Rent herein reserved shall be apportioned and paid in full by Tenant to Landlord to such date, all Rent prepaid for period beyond that date shall forthwith be repaid by Landlord to Tenant, and neither party shall thereafter have any liability for any unaccrued

obligations hereunder; provided, however, a condition to the exercise by Tenant of such right to terminate shall be that the portion of the Premises taken shall be of such extent and nature as to materially handicap, impede, or impair Tenant's use of the balance of the Premises for its business operations. If this Lease is not terminated after a condemnation, then notwithstanding anything to the contrary in this Lease, Fixed Rent shall be equitably reduced in proportion to the area of the Premises that has been taken for the balance of the Term. Tenant shall have the right to make a claim against the condemner for moving expenses and business dislocation damages to the extent that such claim does not reduce the sums otherwise payable by the condemner to Landlord.

16. SUBORDINATION: ESTOPPEL CERTIFICATE.

(a) This Lease shall be subordinate at all times to the lien of any mortgages and deeds of trust now or hereafter placed upon the Premises, Building, and/or Project and land of which they are a part (a "Mortgage") without the necessity of any further instrument or act on the part of Tenant to effectuate such subordination. Tenant further agrees to execute and deliver within 10 days after demand such further instrument evidencing such subordination and attornment as shall be reasonably required by any Mortgagee. If Landlord shall be or is alleged to be in default of any of its obligations owing to Tenant under this Lease, Tenant shall give to the holder (the "Mortgagee") of any mortgage or deed of trust now or hereafter placed upon the Premises, Building, and/or Project whose name and address has been furnished to Tenant, notice by overnight mail of any such default that Tenant shall have served upon Landlord. If Landlord shall fail to cure such default, the Mortgagee shall have 45 additional days within which to cure such default or such longer period as may be reasonably necessary to complete the cure provided Mortgagee is proceeding diligently to cure such default. Notwithstanding the foregoing, any Mortgagee may at any time subordinate its mortgage to this Lease, without Tenant's consent, by notice in writing to Tenant, and thereupon this Lease shall be deemed prior to such Mortgage without regard to their respective dates of execution and delivery, and in that event the Mortgagee shall have the same rights with respect to this Lease as though it had been executed prior to the execution and delivery of the Mortgage.

(b) Tenant shall attorn to any foreclosing mortgagee, purchaser at a foreclosure sale or by power of sale, or purchaser by deed in lieu of foreclosure. If the holder of a superior mortgage shall succeed to the rights of Landlord, then at the request of such party so succeeding to Landlord's rights (herein sometimes called successor landlord) and upon such successor landlord's written agreement to accept Tenant's attornment, Tenant shall attorn to and recognize such successor landlord as Tenant's landlord under this Lease and shall promptly, without payment to Tenant of any consideration therefor, execute and deliver any instrument that such successor landlord may request to evidence such attornment. Tenant hereby irrevocably appoints Landlord or the successor landlord the attorney in fact of Tenant to execute and deliver such instrument on behalf of Tenant, should Tenant refuse or fail to do so promptly after request. Upon such attornment, this Lease shall continue in full force and effect as, or as if it were, a direct lease between the successor landlord and Tenant upon all of the terms, conditions, and covenants as are set forth in this Lease and shall be applicable after such attornment, except that the successor landlord shall not be bound by any modification of this Lease not approved by the successor landlord, or by any previous prepayment of more than one month's rent, unless such modification or prepayment shall have been expressly approved in writing by the holder of the superior mortgage through or by reason of which the successor landlord shall have succeeded to the rights of Landlord. With respect to any assignment by Landlord of Landlord's interest in this Lease, or the rents payable hereunder, conditional in nature or otherwise, which assignment is made to any Mortgagee, Tenant agrees that the execution thereof by Landlord, and the acceptance thereof by the Mortgagee, shall never be deemed an assumption by such Mortgagee of any of the obligations of Landlord hereunder, unless such Mortgagee shall, by written notice sent to Tenant, specifically elect, or unless such Mortgagee shall foreclose the Mortgage and take possession of the Premises. Tenant, upon receipt of written notice from a Mortgagee that such Mortgagee is entitled to collect Rent hereunder may in good faith remit such Rent to Mortgagee without incurring liability to Landlord for the nonpayment of such Rent. The provisions for attornment set forth in this Section 16(b) shall be self-operative and shall not require the execution of any further instrument. However, if Landlord reasonably requests a further instrument confirming such attornment, Tenant shall execute and deliver such instrument within 10 days after receipt of such request.

(c) Tenant must at any time and from time to time, within 10 days after receipt of Landlord's written request, execute and deliver to Landlord an estoppel certificate certifying all reasonably requested information pertaining to this Lease.

17. DEFAULT AND REMEDIES.

(a) An "Event of Default" shall be deemed to exist and Tenant shall be in default hereunder if: (i) Tenant fails to pay any Rent when due and such failure continues for more than [] business days after Landlord has given Tenant written notice of such failure (such notice being in lieu of, and not in addition to, any applicable statutory notice); provided, however, in no event shall Landlord have any obligation to give Tenant more than [] after which there shall be an Event of Default if Tenant fails to pay any Rent when due, regardless of Tenant's receipt of notice of such nonpayment, and, provided further, there shall be an automatic Event of Default if Tenant fails to pay any Rent when due and the automatic stay of bankruptcy precludes issuance of a default notice; (ii) Tenant fails to bond over a mechanic's or materialmen's lien within [] days after Landlord's written notice; (iii) there is any assignment or subletting (excluding any Transfer to a Permitted Transferee or any other permitted subletting or assignment hereunder) in violation of the terms of this Lease; (iv) the occurrence of any default beyond any applicable notice and/or cure period under any guaranty executed in connection with this Lease; (v) Tenant fails to deliver any Landlord-requested estoppel certificate or subordination agreement within twenty business days after receipt of notice that such document was not received within the time period required under this Lease; (vi) Tenant ceases to use the Premises for the Permitted Use; (vii) there is a filing of a voluntary petition for relief by Tenant or any guarantor, or the filing of a petition against Tenant or any guarantor in a proceeding under the federal bankruptcy or other insolvency laws that is not withdrawn or dismissed within 45 days thereafter, or Tenant's rejection of this Lease after such a filing, or, under the provisions of any law providing for reorganization or winding up of corporations, the assumption by any court of competent jurisdiction of jurisdiction, custody, or control of Tenant or any substantial part of its property, or of any guarantor, where such jurisdiction, custody, or control remains in force, unrelinquished, unstayed, or unterminated for a period of 45 days, or the death or ceasing of existence of Tenant or any guarantor, or the commencement of steps or proceedings toward the dissolution, winding up, or other termination of the existence of Tenant or any guarantor, or toward the liquidation of either of their respective assets, or the evidence of the inability of Tenant or any guarantor to pay its debts as they come due, including without limitation an admission in writing of its inability to pay its debts when due, or any judgment docketed against any guarantor which is not paid, bonded, or otherwise discharged within 45 days; or (viii) Tenant fails to observe or perform any of Tenant's other agreements or obligations under this Lease and such failure continues for more than 30 days after Landlord gives Tenant written notice of such failure plus the expiration of such additional time period as is reasonably necessary to cure such failure (not to exceed 60 days), provided Tenant promptly commences and thereafter proceeds with all due diligence and in good faith to cure such failure.

(b) Upon the occurrence of an Event of Default, Landlord, in addition to the other rights or remedies it may have under this Lease, at law, or in equity, and without prejudice to any of the same, shall have the option, without any notice to Tenant and with or without judicial process, to pursue any one or more of the following remedies:

(i) Landlord shall have the right to terminate this Lease, in which event Tenant shall immediately surrender the Premises to Landlord, and Tenant shall pay Landlord upon demand for all reasonable documented losses and damages that Landlord suffers or incurs by reason of such termination, including damages in an amount equal to the total of: (A) the costs of repossessing the Premises and all other expenses incurred by Landlord in connection with Tenant's default, plus the Administrative Fee; (B) the unpaid Rent earned as of the date of termination; (C) all Rent not actually collected for the period that would otherwise have constituted the remainder of the Term, discounted to present value at a rate of [] per annum; and (D) all other sums of money and damages owing by Tenant to Landlord hereunder. The "Administrative Fee" means [] of the costs incurred by Landlord in curing Tenant's default or performing Tenant's obligations hereunder. Upon the occurrence of an Event of Default, Landlord shall use commercially reasonable efforts to mitigate its damages. However, Landlord shall not be required to give any special preference or priority to reletting the Premises over other vacant space in the Building, Landlord shall be deemed to have used commercially reasonable efforts if it uses the same efforts in marketing the Premises as used in marketing other vacant space at the Building, and in no event shall Landlord be responsible or liable for any failure to relet the Premises or any part thereof. Landlord's rejection of a prospective replacement tenant based on an offer of rentals materially below fair-market rates for new leases of comparable space at the Building at the time in question, or materially below the rates provided in this Lease or containing terms materially less favorable than those contained herein, shall not give rise to a claim by Tenant that Landlord failed to mitigate its damages.

(ii) Landlord shall have the right to terminate Tenant's right of possession (but not

this Lease) and may repossess the Premises by forcible detainer or forcible entry and detainer suit or otherwise, without demand or notice of any kind to Tenant and without terminating this Lease. If Tenant receives written notice of a termination of its right to possession, such notice will serve as both a notice to vacate, notice to pay or quit, and a demand for possession of, the Premises, and Landlord may immediately thereafter initiate a forcible detainer action without any further demand or notice of any kind to Tenant.

(iii) Landlord shall have the right to enter and take possession of all or any portion of the Premises without electing to terminate this Lease, in which case Landlord shall have the right to relet all, or any portion of the Premises on such terms and subject to the obligation to mitigate damages consistent with clause (i) above; provided, in circumstances where the Premises are relet in whole or in part, Tenant's lease obligations for Rent or damages hereunder (except as specified in this clause (iii)) shall terminate in whole or be reduced on a pro rata basis, as applicable. Landlord will not be required to incur any expenses to relet all or any portion of the Premises, although Landlord may at its option incur customary leasing commissions or other costs for the account of Tenant as Landlord shall deem necessary or appropriate to relet. The failure of Landlord to relet all of the Premises shall not reduce Tenant's liability for Rent or damages for the portion Landlord is unable to relet, provided Landlord acts in good faith to mitigate such damages as set forth in clause (i) above.

(iv) Landlord shall have the right to enter the Premises without terminating this Lease and without being liable for prosecution or any claim for damages therefor and maintain the Premises and repair or replace any damage thereto or do anything for which Tenant is responsible hereunder. Tenant shall reimburse Landlord immediately upon demand for any out-of-pocket costs which Landlord incurs in thus effecting Tenant's compliance under this Lease, and Landlord shall not be liable to Tenant for any damages with respect thereto.

(v) Landlord shall have the right to continue this Lease in full force and effect, whether or not Tenant shall have abandoned the Premises. If Landlord elects to continue this Lease in full force and effect pursuant to this Section, then Landlord shall be entitled to enforce all of its rights and remedies under this Lease, including the right to recover Rent as it becomes due. Landlord's election not to terminate this Lease pursuant to this Section 17, at law or in equity, shall not preclude Landlord from showing the Premises to potential tenants, subsequently electing to terminate this Lease, or pursuing any of its other remedies.

(c) Upon the occurrence of an Event of Default, Tenant shall be liable to Landlord for, and Landlord shall be entitled to recover: (i) all Rent accrued and unpaid through the date the Lease is terminated hereunder; (ii) all costs and expenses incurred by Landlord in recovering possession of the Premises, including legal fees, and removal and storage of Tenant's property; (iii) the costs and expenses of restoring the Premises to the condition in which the same were to have been surrendered by Tenant as of the Expiration Date; (iv) the costs of reletting commissions; (v) all legal fees and court costs incurred by Landlord in connection with the Event of Default; and (vi) the unamortized portion (as reasonably determined by Landlord) of brokerage commissions and consulting fees incurred by Landlord, excluding tenant concessions and free rent given by Landlord, in connection with this Lease.

(d) Any amount payable by Tenant under this Lease that is not paid when due shall bear interest at the rate of 1% per month until paid by Tenant to Landlord. If Tenant fails to pay Rent when due on 3 or more occasions during the Term, Landlord shall have the right to require Tenant to pay all future Rent by ACH debit of funds, in which case Tenant shall complete Landlord's then-current forms authorizing Landlord to automatically debit Tenant's bank account.

(e) Neither any delay or forbearance by Landlord in exercising any right or remedy hereunder nor Landlord's undertaking or performing any act that Landlord is not expressly required to undertake under this Lease shall be construed to be a waiver of Landlord's rights or to represent any agreement by Landlord to thereafter undertake or perform such act. Landlord's waiver of any breach by Tenant of any covenant or condition herein contained (which waiver shall be effective only if so expressed in writing by Landlord) or Landlord's failure to exercise any right or remedy in respect of any such breach shall not constitute a waiver or relinquishment for the future of Landlord's right to have any such covenant or condition duly performed or observed by Tenant, or of Landlord's rights arising because of any subsequent breach of any such covenant or condition, nor bar any right or remedy of Landlord in respect of such breach or any subsequent breach.

(f) If Tenant defaults in the performance of any covenant, agreement, term, provision, or condition contained in this Lease, Landlord, in addition to any other rights and remedies it has under this Lease and without thereby waiving such default, may perform the same for the account of and at the expense of Tenant (but shall not be obligated to do so), without notice in a case of emergency and in any other case if such default continues after ten business days from the date that Landlord gives written notice to Tenant of its intention to do so. Landlord may invoice Tenant for all out-of-pocket amounts paid by Landlord and all losses, costs, and expenses incurred by Landlord in connection with any such performance by Landlord pursuant to this paragraph, including, without limitation, all amounts paid and costs and expenses incurred by Landlord for any property, material, labor, or services provided, furnished, or rendered, or caused to be provided, furnished, or rendered, by Landlord to Tenant (together with interest at the rate of 6% per annum from the date Landlord pays the amount or incurs the loss, cost, or expense until the date of full repayment by Tenant) monthly or immediately, at Landlord's option, and shall be due and payable by Tenant to Landlord as Additional Rent within 5 days after Tenant receives the invoice. Any reservation of a right by Landlord to enter upon the Premises and to make or perform any repairs, alterations, or other work in, to, or about the Premises, which, in the first instance, is Tenant's obligation pursuant to this Lease, shall not be deemed to impose any obligation on Landlord to do so, render Landlord liable to Tenant or any third party for the failure to do so, or relieve Tenant from any obligation to indemnify Landlord as otherwise provided elsewhere in this Lease.

(g) The rights granted to Landlord in this Section shall be cumulative of every other right or remedy provided in this Lease or which Landlord may otherwise have at law or in equity or by statute, and the exercise of one or more rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies or constitute a forfeiture or waiver of Rent or damages accruing to Landlord by reason of any Event of Default under this Lease. Landlord shall have all rights and remedies now or hereafter existing at law or in equity with respect to the enforcement of Tenant's obligations hereunder and the recovery of the Premises. No right or remedy herein conferred upon or reserved to Landlord shall be exclusive of any other right or remedy, but shall be cumulative and in addition to all other rights and remedies given hereunder or now or hereafter existing at law or in equity. Landlord shall be entitled to injunctive relief in case of the violation, or attempted or threatened violation, of any covenant, agreement, condition or provision of this Lease, or to a decree compelling performance of any covenant, agreement, condition or provision of this Lease.

(h) No payment by Tenant or receipt by Landlord of a lesser amount than any payment of Fixed Rent or Additional Rent herein stipulated shall be deemed to be other than on account of the earliest stipulated Fixed Rent or Additional Rent due and payable hereunder, nor shall any endorsement or statement or any check or any letter accompanying any check or payment as Rent be deemed an accord and satisfaction. Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such Rent or pursue any other right or remedy provided for in this Lease, at law or in equity, and acceptance of such partial payment shall be deemed subject to Landlord's reservation of all rights.

(i) Nothing herein shall be deemed to prevent the abandonment of property as set forth in Section 18(b). Upon the occurrence of an Event of Default by Tenant, Landlord may, in addition to any other remedies provided herein, peaceably enter upon the Premises and take possession of any and all goods, wares, equipment, fixtures, furniture, improvements, and other personal property (excluding files) of Tenant situated on the Premises, without liability for trespass or conversion, and sell the same at public or private sale, with or without having such property at the sale, after giving Tenant reasonable notice of time and place of any public sale or of the time after which any private sale is to be made, at which sale Landlord or its assigns may purchase unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving Tenant reasonable notice, the requirement of reasonable notice shall be met if such notice is given in the manner prescribed in this Section 17(b)(i) and Section 21, and in the event the public or private sale is pursued, notice of sale shall be given at least 5 days before the time of sale. The proceeds from any such disposition, less all expenses connected with the taking of possession, holding, and selling of the property (including reasonable attorneys' fees and other expenses), shall be applied as a credit against the indebtedness secured by the security interest granted in this paragraph. Any surplus shall be paid to Tenant or as otherwise required by law, and Tenant shall pay any deficiencies forthwith. Upon request by Landlord, Tenant agrees to execute and deliver to Landlord a financing statement in form sufficient to perfect the security interest of Landlord in the aforementioned property and proceeds thereof under the provisions of the Uniform Commercial Code in force in the State.

(j) Tenant further waives the right to any notices to quit as may be specified in the Landlord and Tenant Act of Pennsylvania, Act of April 6, 1951, as amended, or any similar or successor provision of law, and agrees that 5 days' notice shall be sufficient in any case where a longer period may be statutorily specified.

(k) **In addition to, and not in lieu of any of the foregoing rights granted to Landlord:**

(1) [] OF THE PREMISES ALL OR ANY PART OF THE RENT SPECIFIED IN THIS LEASE AND THEN UNPAID TAKING INTO ACCOUNT LANDLORD'S OBLIGATION TO MITIGATE DAMAGES TO THE EXTENT REQUIRED UNDER THIS LEASE AND FOR COSTS TOGETHER WITH REASONABLE ATTORNEY'S FEES. SUCH AUTHORITY SHALL NOT BE EXHAUSTED BY ONE EXERCISE THEREOF, [] AS AFORESAID FROM TIME TO TIME AS OFTEN AS ANY OF SAID RENT OR SUCH OTHER SUMS, CHARGES, PAYMENTS, COSTS AND EXPENSES SHALL FALL DUE OR BE IN ARREARS, AND SUCH POWERS MAY BE EXERCISED AS WELL AFTER THE EXPIRATION OF THE TERM OR DURING ANY EXTENSION OR RENEWAL OF THIS LEASE.

(2) WHEN THIS LEASE OR TENANT'S RIGHT OF POSSESSION SHALL BE TERMINATED BY COVENANT OR CONDITION BROKEN, OR FOR ANY OTHER REASON, EITHER DURING THE TERM OF THIS LEASE OR ANY RENEWAL OR EXTENSION THEREOF, AND ALSO WHEN AND AS SOON AS THE TERM HEREBY CREATED OR ANY EXTENSION THEREOF SHALL HAVE EXPIRED [] CLAIMING UNDER TENANT, WHEREUPON, IF LANDLORD SO DESIRES, A WRIT OF EXECUTION OR OF POSSESSION MAY ISSUE FORTHWITH, WITHOUT ANY PRIOR WRIT OF PROCEEDINGS, WHATSOEVER, AND PROVIDED IF FOR ANY REASON AFTER SUCH ACTION SHALL HAVE BEEN COMMENCED THE SAME SHALL BE DETERMINED AND THE POSSESSION OF THE PREMISES HEREBY DEMISED REMAIN IN OR BE RESTORED TO TENANT, LANDLORD SHALL HAVE THE RIGHT UPON ANY SUBSEQUENT DEFAULT OR DEFAULTS, OR UPON THE TERMINATION OF THIS LEASE AS HEREINBEFORE SET FORTH, TO BRING ONE OR MORE ACTION OR ACTIONS AS HEREINBEFORE SET FORTH TO RECOVER POSSESSION OF THE SAID PREMISES.

(3) In any action to confess judgment in ejectment, Landlord shall first cause to be filed in such action an affidavit made by it or someone acting for it setting forth the facts necessary to authorize the entry of judgment, of which facts such affidavit shall be conclusive evidence, and if a true copy of this Lease (and of the truth of the copy such affidavit shall be sufficient evidence) be filed in such action, it shall not be necessary to file the original as a warrant of attorney, any rule of Court, custom or practice to the contrary notwithstanding. Tenant represents to Landlord that it has a gross income of at least \$10,000.

[] TENANT FURTHER SPECIFICALLY AGREES THAT IN THE EVENT OF DEFAULT, LANDLORD MAY PURSUE MULTIPLE REMEDIES INCLUDING OBTAINING POSSESSION PURSUANT TO [] IN SUCH EVENT AND SUBJECT TO THE TERMS SET FORTH HEREIN, LANDLORD SHALL PROVIDE FULL CREDIT TO TENANT FOR ANY MONTHLY CONSIDERATION WHICH LANDLORD RECEIVES FOR THE LEASED PREMISES IN MITIGATION OF ANY OBLIGATION OF TENANT TO LANDLORD FOR THAT MONEY. FURTHERMORE, TENANT SPECIFICALLY WAIVES ANY CLAIM AGAINST

LANDLORD AND LANDLORD'S COUNSEL FOR VIOLATION OF TENANT'S CONSTITUTIONAL RIGHTS IN THE EVENT THAT JUDGMENT IS CONFESSED PURSUANT TO THIS LEASE.

TENANT: MADRIGAL PHARMACEUTICALS, INC.

By: /s/ Marc Schneebaum

Name: Marc Schneebaum

Title: Chief Financial Officer

Date: 1/10/2019

18. SURRENDER: HOLDOVER.

(a) By no later than the Expiration Date or earlier termination of Tenant's right to possession of the Premises (such earlier date, the "Surrender Date"). Tenant shall vacate and surrender the Premises to Landlord in good order and condition, free of all Transferees, vacant, broom clean, and in conformity with the applicable provisions of this Lease, including without limitation Sections 9 and 11. Tenant shall have no right to hold over beyond the Surrender Date, and if Tenant does not vacate as required such failure shall be deemed an Event of Default and Tenant's occupancy shall not be construed to effect or constitute anything other than a tenancy at sufferance. During any period of occupancy beyond the Surrender Date, the amount of Rent owed by Tenant to Landlord will be the Holdover Percentage of the Rent for the month immediately prior to the Expiration Date, without prorating for any partial month of holdover, and except that any provisions in this Lease that limit the amount or defer the payment of Additional Rent are null and void. The "Holdover Percentage" equals: (i) [] for the first month of holdover; and (ii) [] for any period of holdover beyond 1 month. The acceptance of Rent by Landlord or the failure or delay of Landlord in notifying or evicting Tenant following the Surrender Date shall not create any tenancy rights in Tenant and any such payments by Tenant may be applied by Landlord against its costs and expenses, including reasonable attorneys' fees, incurred by Landlord as a result of such holdover. The provisions of this Section shall not constitute a waiver by Landlord of any right of reentry as set forth in this Lease; nor shall receipt of any Rent or any other act in apparent affirmance of the tenancy operate as a waiver of Landlord's right to terminate this Lease for a breach of any of the terms, covenants, or obligations herein on Tenant's part to be performed. No option to extend this Lease shall have been deemed to have occurred by Tenant's holdover, and any and all options to extend this Lease or expand the Premises shall be deemed terminated and of no further effect as of the first date that Tenant holds over. In addition, if Tenant fails to vacate and surrender the Premises as herein required, Tenant shall indemnify, defend, and hold harmless Landlord from and against any and all costs, losses, expenses, or liabilities incurred as a result of or related to such failure, including without limitation, claims made by any succeeding tenant and reasonable attorneys' fees. Tenant's obligation to pay Rent and to perform all other Lease obligations for the period up to and including the Surrender Date, and the provisions of this Section, shall survive the Expiration Date. In no way shall the remedies to Landlord set forth above be construed to constitute liquidated damages for Landlord's losses resulting from Tenant's holdover.

(b) Prior to the Surrender Date, Tenant, at Tenant's expense, shall remove from the Premises Tenant's Property and all telephone, security, and communication equipment systems, and restore in a good and workmanlike manner any damage to the Premises and/or the Building caused by such removal or replace the damaged component of the Premises and/or the Building if such component cannot be restored as aforesaid as reasonably determined by Landlord. Notwithstanding the foregoing, Tenant shall not be required to remove a Specialty Alteration if at the time Tenant requests Landlord's consent to such Specialty Alteration, Tenant provides Landlord with written notification that Tenant desires to not be required to remove such Specialty Alteration and Landlord consents in writing to Tenant's non-removal request. A "Specialty Alteration" means an Alteration (other than pursuant to Exhibit C) that is not Building standard, including without limitation kitchens (other than a pantry installed for the use of Tenant's employees only), executive restrooms, computer room installations, supplemental HVAC equipment and components, safes, vaults, libraries or file rooms requiring reinforcement of floors, internal staircases, slab penetrations, non-Building standard life safety systems, security systems, specialty door locksets (such as cipher locks) or lighting, and any demising improvements done by or on behalf of Tenant. If Tenant fails to remove any of Tenant's Property as required herein, the same shall be deemed abandoned and Landlord, at Tenant's expense, may remove and dispose of same and repair and restore any damage caused thereby, or, at Landlord's election, such Tenant's Property shall

become Landlord's property. Tenant shall not remove any Alteration (other than Specialty Alterations) from the Premises without the prior written consent of Landlord.

19. RULES AND REGULATIONS. Tenant covenants that Tenant and Tenant Agents shall comply with the rules and regulations set forth on Exhibit E attached hereto. Landlord shall have the right to rescind and/or augment any of the rules and regulations and to make such other and further written rules and regulations as in the reasonable judgment of Landlord shall from time to time be needed for the safety, protection, care, and cleanliness of the Project, the operation thereof, the preservation of good order therein, and the protection and comfort of its tenants, their agents, employees, and invitees, which when delivered to Tenant shall be binding upon Tenant in a like manner as if originally prescribed. In the event of an inconsistency between the rules and regulations and this Lease, the provisions of this Lease shall control. Landlord shall not have any liability to Tenant for any failure of any other tenants to comply with any of the rules and regulations; provided Landlord shall use commercially reasonable efforts to enforce the rules and regulations equally against all office tenants and occupants of the Building, subject to the terms of applicable leases.

20. GOVERNMENTAL REGULATIONS.

(a) Tenant shall not use, generate, manufacture, refine, transport, treat, store, handle, dispose, bring, or otherwise cause to be brought or permit any Tenant Agent to bring, in, on, or about any part of the Project, any hazardous waste, solid waste, hazardous substance, toxic substance, petroleum product or derivative, asbestos, polychlorinated biphenyl, hazardous material, pollutant, contaminant, or similar material or substance as defined by the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. Sections 9601 et seq., as the same may from time to time be amended, and the regulations promulgated pursuant thereto (CERCLA), or now or hereafter defined or regulated as such by any other Law ("Hazardous Material"). Notwithstanding the foregoing, Tenant shall be permitted to bring onto the Premises office cleaning supplies and products normally found in modern offices provided Tenant only brings a reasonable quantity of such supplies and products onto the Premises and Tenant shall at all times comply with all Laws pertaining to the storage, handling, use, disposal, and application of such supplies and products, and all Laws pertaining to the communication to employees and other third parties of any hazards associated with such supplies and products. Tenant shall not install any underground or above ground tanks on the Premises. Tenant shall not cause or permit to exist any release, spillage, emission, or discharge of any Hazardous Material on or about the Premises ("Release"). In the event of a Release, Tenant shall immediately notify Landlord both orally and in writing, report such Release to the relevant government agencies as required by applicable Law, and promptly remove the Hazardous Material and otherwise investigate and remediate the Release in accordance with applicable Law and to the satisfaction of Landlord. Landlord shall have the right, but not the obligation, to enter upon the Premises to investigate and/or remediate the Release in lieu of Tenant, and Tenant shall reimburse Landlord as Additional Rent for the costs of such remediation and investigation. Tenant shall promptly notify Landlord if Tenant acquires knowledge of the presence of any Hazardous Material on or about the Premises, except as Tenant is permitted to bring onto the Premises under this Lease. Landlord shall have the right to inspect and assess the Premises for the purpose of determining whether Tenant is handling any Hazardous Material in violation of this Lease or applicable Law, or to ascertain the presence of any Release. This subsection shall survive the Expiration Date.

(b) Tenant shall, and shall direct Tenant Agents to, use the Premises in compliance with all applicable Laws. Tenant shall, at its sole cost and expense, promptly comply with each and all of such Laws, except in the case of required structural changes not triggered by Tenant's particular use or manner of use or change in use of the Premises, or Tenant's Alterations. Without limiting the generality of the foregoing, Tenant shall: (i) obtain, at Tenant's expense, before engaging in Tenant's business or profession within the Premises, all necessary licenses and permits including, but not limited to, state and local business licenses, and permits; and (ii) remain in compliance with and keep in full force and effect at all times all licenses, consents, and permits necessary for the lawful conduct of Tenant's business or profession at the Premises. Tenant shall pay all personal property taxes, income taxes, gross receipts taxes, and other taxes, assessments, duties, impositions, and similar charges that are or may be assessed, levied, or imposed upon Tenant or Tenant's Property. Tenant shall also comply with all applicable Laws that do not relate to the physical condition of the Premises and with which only the occupant can comply, such as laws governing maximum occupancy, workplace smoking, VDT regulations, and illegal business operations, such as gambling. The judgment of any court of competent jurisdiction or the admission of Tenant in any judicial, governmental or regulatory action, regardless of whether Landlord is a party thereto, that Tenant has violated any of such Laws shall be conclusive of that fact as between Landlord and Tenant.

(c) Notwithstanding anything to the contrary in this Lease, if the requirement of any public authority obligates either Landlord or Tenant to expend money in order to bring the Premises and/or any area of the Project into compliance with Laws as a result of: (i) Tenant's particular use or alteration of the Premises; (ii) Tenant's change in the use of the Premises; (iii) the manner of conduct of Tenant's business or operation of its installations, equipment, or other property therein; (iv) any cause or condition created by or at the instance of Tenant or any Tenant Agent, other than by Landlord's performance of any work for or on behalf of Tenant; or (v) breach of any of Tenant's obligations hereunder, then Tenant shall bear all costs of bringing the Premises and/or Project into compliance with Laws, whether such costs are related to structural or nonstructural elements of the Premises or Project.

(d) Except to the extent Tenant shall comply as set forth above, during the Term Landlord shall comply with all applicable Laws regarding the Project (including the Premises), including without limitation compliance with Title III of the Americans with Disabilities Act of 1990, 42 U.S.C. §12181 *et seq.* and its regulations as to the design and construction of the Common Areas.

(e) Each party hereto hereby acknowledges and agrees that it will not knowingly violate any applicable Laws regarding bribery, corruption, and/or prohibited business practices solely as they concern each such party's respective activities under or in connection with this Lease, and each such party will be solely responsible for and will hold harmless the other party from and against any such claims or liabilities in connection with any of such responsible party's own violations of any such Laws.

21. NOTICES. Wherever in this Lease it is required or permitted that notice or demand be given or served by either party to this Lease to or on the other party, such notice or demand will be duly given or served if in writing and either: (i) personally served; (ii) delivered by prepaid nationally recognized courier service (*e.g.*, Federal Express, UPS, and USPS) with evidence of receipt required for delivery; (iii) delivered by registered or certified mail, return receipt requested, postage prepaid; or (iv) if an email address is provided by the recipient, emailed with electronic confirmation of transmission (including but not limited to "read receipt" by the recipient); in all such cases addressed to the parties at the addresses set forth below, except that prior to the Commencement Date, notices to Tenant may be sent instead to the attention of any employee or attorney of Tenant with whom Landlord negotiated this Lease. Each such notice will be deemed to have been given to or served upon the party to which addressed on the date the same is delivered or delivery is refused. Each party has the right to change its address for notices (provided such new address is in the continental United States) by a writing sent to the other party in accordance with this Section, and each party will, if requested, within 10 days confirm to the other its notice address. Notices from Landlord may be given by either an agent or attorney acting on behalf of Landlord.

Tenant: Madrigal Pharmaceuticals, Inc.
Attn: Chief Financial Officer
200 Barr Harbor Drive
West Conshohocken, PA 19428



Landlord: Four Tower Bridge Associates
c/o Brandywine Realty Trust
Attn: Jeff DeVuono, Executive Vice President & Senior
Managing Director, RE: Building #588
FMC Tower at Cira Centre South
2929 Walnut St., Suite 1700
Philadelphia, PA 19104
Phone No. 610-325-5600



Notwithstanding anything to the contrary in this Lease, billing statements and the like may be sent by regular mail or electronic means (such as email) to Tenant's billing contact without copies.

Tenant's billing contact:

Madrigal Pharmaceuticals, Inc.
Attn: Chief Financial Officer
200 Barr Harbor Drive
West Conshohocken, PA 19428
[REDACTED]

22. **BROKERS.** Landlord and Tenant each represents and warrants to the other that such representing party has had no dealings, negotiations, or consultations with respect to the Premises or this transaction with any broker or finder other than a Landlord affiliate and Broker. Each party shall indemnify, defend, and hold harmless the other from and against any and all liability, cost, and expense (including reasonable attorneys' fees and court costs), arising out of or from or related to its misrepresentation or breach of warranty under this Section. Landlord shall pay Broker a commission in connection with this Lease pursuant to the terms of a separate written agreement between Landlord and Broker. This Section shall survive the Expiration Date.

23. **LANDLORD'S LIABILITY.** Landlord's obligations hereunder shall be binding upon Landlord only for the period of time that Landlord is in ownership of the Building, and upon termination of that ownership, Tenant, except as to any obligations that are then due and owing, shall look solely to Landlord's successor-in-interest in ownership of the Building for the satisfaction of each and every obligation of Landlord hereunder. Upon request and without charge, Tenant shall attorn to any successor to Landlord's interest in this Lease and, at the option of any Mortgagees, to such Mortgagees. Landlord may transfer its interest in the Building without the consent of Tenant, and such transfer or subsequent transfer shall not be deemed a violation on Landlord's part of any of the terms of this Lease. Landlord shall have no personal liability under any of the terms, conditions, or covenants of this Lease. Tenant and Tenant Agents shall look solely to the equity of Landlord in the Building and/or the net proceeds actually received therefrom for the satisfaction of any claim, remedy, or cause of action of any kind whatsoever arising from the relationship between the parties or any rights and obligations they may have relating to the Project, this Lease, or anything related to either, including without limitation as a result of the breach of any Section of this Lease by Landlord. In addition, no recourse shall be had for an obligation of Landlord hereunder, or for any claim based thereon or otherwise in respect thereof or the relationship between the parties, against any past, present, or future Landlord Indemnitee (other than Landlord), whether by virtue of any statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such other liability being expressly waived and released by Tenant with respect to the Landlord Indemnitees (other than Landlord).

24. **RELOCATION.** Landlord, at its sole expense, [] to Tenant, may require Tenant to move from the Premises to another suite of substantially comparable size, layout, fit-out and decor in the Building. In the event of any such relocation, Landlord shall pay all the reasonable expenses: (a) of preparing and decorating the new premises so that the layout and fit-out will be substantially similar to the Premises; (b) of moving Tenant's furniture, equipment and all other contents in the Premises to the new premises (including Tenant's data and communication wiring and cabling); and (c) reasonably incurred and documented by Tenant, up to a maximum amount of [] for business disruption expenses, including expenses in notifying its clients of such relocation, obtaining new letterhead and business cards, and other incidental expenses related directly to Tenant's relocation. Tenant shall execute any reasonable amendment evidencing the terms of the relocation as Landlord may require in its reasonable discretion. Upon the effective date of the relocation: (i) the description of the Premises set forth in this Lease shall, without further act on the part of Landlord or Tenant, be deemed amended so that the new premises shall, for all purposes, be deemed the Premises hereunder, and all of the terms, covenants, conditions, provisions, and agreements of this Lease, including those agreements to pay Rent (at the same rate per rentable square foot), shall continue in full force and effect and shall apply to the new premises; and (ii) Tenant shall move into the new premises.

25. **GENERAL PROVISIONS.**

(a) Provided there is no Event of Default, Tenant shall peaceably and quietly hold and enjoy the Premises for the Term, without hindrance from Landlord or anyone lawfully or equitably claiming by, through, or under Landlord, under and subject to the terms and conditions of this Lease and of any deeds of trust now or hereafter affecting all or any portion of the Premises.

(b) Subject to the terms and provisions of Section 10, the respective rights and obligations provided in this Lease shall bind and inure to the benefit of the parties hereto, their successors and assigns.

(c) This Lease shall be governed in accordance with the Laws of the State, without regard to choice of law principles. Landlord and Tenant hereby consent to the exclusive jurisdiction of the state and federal courts located in the jurisdiction in which the Project is located.

(d) In connection with any litigation or arbitration arising out of this Lease, Landlord or Tenant, whichever is the prevailing party as determined by the court or arbitrator in such litigation, shall be entitled to recover from the other party all reasonable costs and expenses incurred by the prevailing party in connection with such litigation, including reasonable attorneys' fees. If, in the context of a bankruptcy case, Landlord or Tenant is compelled at any time to incur any expense, including attorneys' fees, in enforcing or attempting to enforce the terms of this Lease or to enforce or attempt to enforce any actions required under the Bankruptcy Code to be taken by the trustee or otherwise, then the sum so paid by such party shall be awarded to such party by the Bankruptcy Court and shall be immediately due and payable by the trustee or by such party's bankruptcy estate to such party in accordance with the terms of the order of the Bankruptcy Court.

(e) This Lease, which by this reference incorporates all exhibits, riders, schedules, and other attachments hereto, supersedes all prior discussions, proposals, negotiations and discussions between the parties and this Lease contains all of the agreements, conditions, understandings, representations, and warranties made between the parties hereto with respect to the subject matter hereof, and may not be modified orally or in any manner other than by an agreement in writing signed by both parties hereto or their respective successors-in-interest. Whenever placed before one or more items, the words "include", "includes", and "including" shall mean considered as part of a larger group, and not limited to the item(s) recited. Except to the extent expressly set forth otherwise in this Lease, neither Landlord, nor anyone acting on Landlord's behalf, has made any representation, warranty, estimation, or promise of any kind or nature whatsoever relating to the physical condition of the Building or the land under the Building or suitability, including without limitation, the fitness of the Premises for Tenant's intended use. If any provisions of this Lease are held to be invalid, void, or unenforceable, the remaining provisions hereof shall in no way be affected or impaired and such remaining provisions shall remain in full force and effect.

(f) TIME IS OF THE ESSENCE UNDER ALL PROVISIONS OF THIS LEASE, INCLUDING ALL NOTICE PROVISIONS.

(g) If Landlord or Tenant is in any way delayed or prevented from performing any obligation (except, with respect to Tenant, its obligations to pay Rent, the giving of notice with respect to the exercise of a Lease option, and surrender of the Premises as and when required under this Lease) due to fire or other casualty (or reasonable delays in the adjustment of insurance claims), acts of terrorism, war or other emergency (including severe weather emergency), governmental delay beyond what is commercially reasonable (provided the party claiming the delay provides reasonable evidence to the other party that the party claiming the delay is diligently pursuing the approval or permit that is the subject to the governmental delay), inability to obtain any materials or services (exclusive of delays in connection with long-lead items requested by Tenant for the Leasehold Improvements, which are deemed Tenant Delays), acts of God, strike, lockout or other labor dispute, orders or regulations of any federal, state, county or municipal authority, embargoes, or any other cause beyond such party's reasonable control (whether similar or dissimilar to the foregoing events) (each, a "Force Majeure Event"), then the time for performance of such obligation shall be excused for the period of such delay or prevention (and such party shall not be deemed in default with respect to the performance of its obligations) and extended for a period equal to the period of such delay or prevention. Financial disability or hardship shall never constitute a Force Majeure Event. No such inability or delay due to a Force Majeure Event shall constitute an actual or constructive eviction, in whole or in part, or entitle Tenant to any abatement or diminution of Rent (except as set forth herein), or relieve the other party from any of its obligations under this Lease, or impose any liability upon such party or its agents, by reason of inconvenience or annoyance to the other party, or injury to or interruption of the other party's business, or otherwise.

(h) Excepting payments of Fixed Rent, Operating Expenses, and utilities (which are to be paid as set forth in Sections 4, 5, and 6) and unless a specific time is otherwise set forth in this Lease for any Tenant payments, all amounts due from Tenant to Landlord hereunder shall be paid by Tenant to Landlord as Additional Rent within 30 days after receipt of an invoice therefor.

(i) Tenant's financials are publicly available online at no cost to Landlord at <https://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001157601&owner=exclude&count=40&hidefilings=0>. As of the Commencement Date, the most recently available audited financial statements of Tenant can be found at <https://www.sec.gov/Archives/edgar/data/1157601/000104746918001557/0001047469-18-001557-index.htm>. If at any time Tenant's financial statements are no longer publicly available online at no cost to Landlord, then within 10 days after written request by Landlord (but not more than once during any 12-month period unless a default has occurred under this Lease, or in the event of a sale, financing, or refinancing by Landlord of all or any portion of the Project), Tenant shall furnish to Landlord, Mortgagee, or Landlord's prospective mortgagee or purchaser, reasonably requested financial information. In connection therewith and upon Tenant's request, Landlord and Tenant shall execute a mutually acceptable confidentiality agreement on Landlord's form therefor.

(j) Tenant represents and warrants to Landlord that: (i) Tenant was duly organized and is validly existing and in good standing under the Laws of the jurisdiction set forth for Tenant in the first sentence of this Lease; (ii) Tenant is legally authorized to do business in the State; (iii) the person(s) executing this Lease on behalf of Tenant is(are) duly authorized to do so; and (iv) Tenant has the full corporate power and authority to enter into this Lease and has taken all corporate action necessary to carry out the transaction contemplated herein, so that when executed, this Lease constitutes a valid and binding obligation enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally, and by general equitable principles (regardless of whether such enforceability is considered in a proceeding at law or in equity). From time to time upon Landlord's request, Tenant will provide Landlord with corporate resolutions or other proof in a form acceptable to Landlord authorizing the execution of this Lease at the time of such execution.

(k) If Tenant has removed all or substantially all of Tenant's Property and there are 2 months or less remaining in the Term, Landlord shall have the right to access and make improvements to the Premises in anticipation of reletting without affecting or modifying the Term or Rent, subject to notice to and consent of Tenant (which consent shall not be unreasonably withheld, but may be conditioned upon delivery of a general release by Landlord for the benefit of Tenant). Tenant shall have no rights in or to such improvements. Tenant hereby waives any claim of constructive eviction, early termination of this Lease, or reduction of Rent in connection with Landlord exercising such right.

(l) Each party hereto represents and warrants to the other that such party is not a party with whom the other is prohibited from doing business pursuant to the regulations of the Office of Foreign Assets Control ("OFAC") of the U.S. Department of the Treasury, including those parties named on OFAC's Specially Designated Nationals and Blocked Persons List. Each party hereto is currently in compliance with, and shall at all times during the Term remain in compliance with, the regulations of OFAC and any other governmental requirement relating thereto. Each party hereto shall defend, indemnify, and hold harmless the other from and against any and all claims, damages, losses, risks, liabilities, and expenses (including reasonable attorneys' fees and costs) incurred by the other to the extent arising from or related to any breach of the foregoing certifications. The foregoing indemnity obligations shall survive the Expiration Date.

(m) Landlord shall have the right, to the extent required to be disclosed by Landlord or Landlord's affiliates in connection with filings required by applicable Laws, including without limitation the Securities and Exchange Commission ("SEC"), without notice to Tenant to include in such securities filings general information relating to this Lease, including, without limitation, Tenant's name, the Building, and the square footage of the Premises. Except as set forth in the preceding sentence, neither Tenant nor Landlord shall issue, or permit any broker, representative, or agent representing either party in connection with this Lease to issue: (i) any press release; or (ii) any other public disclosure regarding the specific terms of this Lease (or any amendments or modifications hereof), without the prior written approval of the other party. The parties acknowledge that the transaction described in this Lease and the terms thereof (but not the existence thereof) are of a confidential nature and shall not be disclosed except to such party's employees, attorneys, accountants, consultants, advisors, affiliates, and actual and prospective purchasers, lenders, investors, subtenants and assignees (collectively, "Permitted Parties"), and except as, in the good faith judgment of Landlord or Tenant, may be required to enable Landlord or Tenant to comply with its obligations under Law or under laws and regulations of the SEC. Neither party may make any public disclosure of the specific

terms of this Lease, except as required by Law, including without limitation SEC laws and regulations, or as otherwise provided in this paragraph. In connection with the negotiation of this Lease and the preparation for the consummation of the transactions contemplated hereby, each party acknowledges that it will have had access to confidential information relating to the other party. Each party shall treat such information and shall cause its Permitted Parties to treat such confidential information as confidential, and shall preserve the confidentiality thereof, and not duplicate or use such information, except by Permitted Parties.

(n) Neither Tenant, nor anyone acting through, under, or on behalf of Tenant, shall have the right to record this Lease, nor any memorandum, notice, affidavit, or other writing with respect thereto.

(o) Tenant shall not claim any money damages by way of setoff, counterclaim, or defense, based on any claim that Landlord unreasonably withheld its consent, in which case Tenant's sole and exclusive remedy shall be an action for specific performance, injunction, or declaratory judgment.

(p) All requests made to Landlord to perform repairs or furnish services, supplies, utilities, or freight elevator usage (if applicable), shall be made online to the extent available (currently such requests shall be made via <http://etenants.com/>, as the same may be modified by Landlord from time to time) otherwise via email or written communication to Landlord's property manager for the Building. Whenever Tenant requests Landlord to take any action not required of Landlord under this Lease or give any consent required or permitted to be given by Landlord under this Lease (for example, a request for a Transfer consent, a consent to an Alteration, or a subordination of Landlord's lien, but other than a request for services, supplies, or utilities which is governed by Section 7(b)), Tenant shall pay to Landlord for Landlord's professional costs in connection with each such action or consent Landlord's reasonable documented costs incurred by Landlord in reviewing and taking the proposed action or consent, including reasonable attorneys', engineers' and/or architects' fees (as applicable), plus the Administrative Fee. The foregoing amount shall be paid by Tenant to Landlord within 30 days after Landlord's delivery to Tenant of an invoice for such amount. Tenant shall pay such amount without regard to whether Landlord takes the requested action or gives the requested consent.

(q) Tenant acknowledges and agrees that Landlord shall not be considered a "business associate" for any purpose under the Health Insurance Portability and Accountability Act of 1996 and all related implementing regulations and guidance.

(r) Tenant shall direct any work performed on behalf of Tenant to be performed by contractors who work in harmony, and shall not interfere, with any labor employed by Landlord or Landlord's contractors. If at any time any of the contractors performing work on behalf of Tenant does not work in harmony or interferes with any labor employed by Landlord, other tenants, or their respective mechanics or contractors, then the permission granted by Landlord to Tenant to do or cause any work to be done in or about the Premises may be withdrawn by Landlord with 48 hours' written notice to Tenant.

(s) This Lease may be executed in any number of counterparts, each of which when taken together shall be deemed to be one and the same instrument. The submission of this Lease by Landlord to Tenant for examination does not constitute a reservation of or option for the Premises or of any other space within the Building or in other buildings owned or managed by Landlord or its affiliates. This Lease shall not be binding nor shall either party have any obligations or liabilities or any rights with respect hereto, or with respect to the Premises, unless and until both parties have executed and delivered this Lease. The parties acknowledge and agree that notwithstanding any law or presumption to the contrary, the exchange of copies of this Lease and counterpart signature pages by electronic transmission shall constitute effective execution and delivery of this Lease for all purposes, and signatures of the parties hereto transmitted and/or produced electronically shall be deemed to be their original signature for all purposes.

(t) Landlord and persons authorized by Landlord may enter the Premises at all reasonable times upon reasonable advance notice or, in the case of an emergency, at any time without notice. Landlord shall not be liable for inconvenience to or disturbance of Tenant by reason of any such entry; provided, however, in the case of repairs or work, such shall be done, so far as practicable, so as to not unreasonably interfere with Tenant's use of the Premises.

(u) If more than one entity executes this Lease as Tenant, each of them is jointly and severally liable for the keeping, observing, and performing of all of the terms, covenants, conditions, provisions, and agreements of this Lease to be kept, observed, and performed by Tenant.

(v) TO THE EXTENT PERMITTED BY APPLICABLE LAW, LANDLORD AND TENANT HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY EITHER AGAINST THE OTHER ON ANY MATTER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, OR TENANT'S USE OR OCCUPANCY OF THE BUILDING, ANY CLAIM OR INJURY OR DAMAGE, OR ANY EMERGENCY OR OTHER STATUTORY REMEDY WITH RESPECT THERETO. TENANT CONSENTS TO SERVICE OF PROCESS AND ANY PLEADING RELATING TO ANY SUCH ACTION AT THE PREMISES; PROVIDED, HOWEVER, NOTHING HEREIN SHALL BE CONSTRUED AS REQUIRING SUCH SERVICE AT THE PREMISES. TENANT WAIVES ANY RIGHT TO RAISE ANY NONCOMPULSORY COUNTERCLAIM IN ANY SUMMARY OR EXPEDITED ACTION OR PROCEEDING INSTITUTED BY LANDLORD. LANDLORD, TENANT, ALL GUARANTORS, AND ALL GENERAL PARTNERS EACH WAIVES ANY OBJECTION TO THE VENUE OF ANY ACTION FILED IN ANY COURT SITUATED IN THE JURISDICTION IN WHICH THE BUILDING IS LOCATED, AND WAIVES ANY RIGHT, CLAIM, OR POWER UNDER THE DOCTRINE OF FORUM NON CONVENIENS OR OTHERWISE TO TRANSFER ANY SUCH ACTION TO ANY OTHER COURT.

26. EXTENSION OPTION.

(a) Provided: [] by delivering Tenant's written extension election notice to Landlord no later than the Extension Deadline and no earlier than 3 months prior to the Extension Deadline. The "Extension Deadline" means the date that is []. The terms and conditions of this Lease during the Extension Term shall remain unchanged except Tenant shall only be entitled to the 1 Extension Term provided above, the annual Fixed Rent for the Extension Term shall be the Extension Rent (as defined below), the Expiration Date shall be the last day of the Extension Term, and, except to the extent reflected in the Extension Rent, Landlord shall have no obligation to perform any tenant improvements to the Premises or provide any tenant improvement allowance to Tenant. Upon Tenant's delivery of its written extension election notice, Tenant may not thereafter revoke its exercise of the Extension Option. Notwithstanding anything to the contrary in this Lease, Tenant shall have no right hereunder to extend the Term other than or beyond the 1, 36-month Extension Term described in this paragraph.

(b) "Extension Rent" means the [] except to the extent such items are indirectly incorporated into the Extension Rent as set forth in this Section; provided the preceding clause shall have no effect on the fair market value determination or reduction provisions set forth in the two preceding sentences and the succeeding sentence. When the Extension Rent is being determined for the first year of the Extension Term, the Extension Rent for the second and all subsequent years of the Extension Term shall also be determined in accordance with the methodology set forth herein, subject to the then prevailing annual rent escalation factor in the applicable leasing market.

(c) If Tenant timely exercises the Extension Option and Landlord and Tenant do not agree

upon the Extension Rent in writing by the date that is the later of 20 days after Landlord's receipt of Tenant's extension notice or 3 months prior to the Extension Deadline, then within 15 days after either party notifies the other in writing that such notifying party "desires to determine the Extension Rent in accordance with the following procedures set forth in this Section, Landlord and Tenant shall each deliver to the other party a written statement of such delivering party's determination of the Extension Rent, together with such supporting documentation as the delivering party desires to deliver. Within 10 days after such 15-day period, Landlord and Tenant shall mutually agree and appoint a real estate broker having a minimum of 10 years' experience in the market in which the Project is located, which broker shall select either Landlord's determination or Tenant's determination, whichever the broker finds more accurately reflects the Extension Rent. The broker shall be instructed to notify Landlord and Tenant of such selection within 10 days after such broker's appointment. The broker shall have no power or authority to select any Extension Rent other than the Extension Rent submitted by Landlord or Tenant nor shall the broker have any power or authority to modify any of the provisions of this Lease, and the decision of the broker shall be final and binding upon Landlord and Tenant. If Landlord and Tenant do not timely agree in writing upon the appointment of the broker, Landlord shall submit to Tenant the names of 3 qualified brokers with a minimum of 10 years' experience in the market in which the Project is located, and Tenant shall have 10 days after receiving such names to notify Landlord of which of the 3 brokers Tenant selects to determine the Extension Rent. If Tenant fails to timely notify Landlord of Tenant's selection, Landlord shall have the right to unilaterally appoint the broker. The fee and expenses of the broker shall be shared equally by Landlord and Tenant.

(d) Upon Tenant's timely and proper exercise of the Extension Option pursuant to the terms above and satisfaction of the above conditions: (i) the "Term" shall include the Extension Term; and (ii) upon Landlord's request, Tenant shall execute prior to the expiration of the then-expiring Term, an appropriate amendment to this Lease, in form and content reasonably satisfactory to both Landlord and Tenant, memorializing the extension of the Term, the Extension Rent and any related conforming terms for the ensuing Extension Term (provided Tenant's failure to execute such amendment shall not negate the effectiveness of Tenant's exercise of the Extension Option in accordance with the following terms).

27. RIGHT OF FIRST OFFER.

(a) Provided: [] Tenant is the originally named Tenant; and (v) Tenant is then occupying at least 100% of the Premises for the conduct of Tenant's business, Tenant shall have rights concerning Potential ROFO Space and, following receipt of Tenant's written request (a "Tenant ROFO Request") at any time after the Commencement Date, Landlord shall notify Tenant in writing ("Landlord's ROFO Notice") when either [] becomes available to lease (as defined below) or Landlord reasonably anticipates that such space will become available to lease from Landlord prior to the last 12 months of the Initial Term. Landlord's ROFO Notice shall identify the portion of the Potential ROFO Space that is available to lease (such identified space, "ROFO Space"), and include the anticipated availability date and proposed fair market economic terms for the lease of the ROFO Space and, subject to the terms and provisions of this Section, Tenant shall have the right ("ROFO") to lease all (but not less than all) of the ROFO Space on the terms set forth in Landlord's ROFO Notice by delivering Tenant's written notice of such election to Landlord ("Tenant's ROFO Notice") within 10 business days after Tenant's receipt of Landlord's ROFO Notice.

(b) Upon Tenant's delivery of Tenant's ROFO Notice, Tenant may not thereafter revoke Tenant's exercise of the ROFO. If an Event of Default exists and is not cured at any time after Landlord receives Tenant's ROFO Notice but before the first day that Tenant commences to lease the ROFO Space, Landlord, at Landlord's option, shall have the right to nullify Tenant's exercise of the ROFO with respect to the ROFO Space. If Tenant notifies Landlord that Tenant elects not to lease the ROFO Space or if Tenant fails to timely deliver Tenant's ROFO Notice to Landlord with respect thereto, then Landlord shall have the right to enter into a lease agreement(s) for the ROFO Space under one or more leases containing such terms as Landlord deems acceptable in Landlord's sole discretion, and the ROFO shall be void and have no further force or effect with respect to such space; provided, however, the ROFO shall survive with respect to other Potential ROFO Space such that following receipt of a subsequent Tenant ROFO Request, Landlord shall send a Landlord's ROFO Notice when other Potential ROFO Space

becomes available to lease or Landlord reasonably anticipates that such space will become available to lease from Landlord prior to the last 12 months of the Initial Term.

(c) The ROFO shall be subject, subordinate, and in all respects inferior to the rights of any third-party tenant leasing space at the Building as of the date of this Lease. Landlord may at any time choose to use any space that is or about to become vacant within the Building for marketing or property management purposes, or as a Building amenity or Common Area such as a fitness center or conference area, or to lease such space to an existing tenant of Landlord in connection with the relocation of such tenant, without in any such case notifying or offering such space to Tenant or giving rise to any right of Tenant hereunder. Space is "available to lease" as of the date of any Tenant ROFO Request if and when: (i) the lease for any tenant of all or a portion of the space expires or is otherwise terminated, provided space shall not be deemed to be or become available if the space is assigned or subleased by the tenant of the space, or relet by the tenant or subtenant of the space by renewal, extension, or new lease; and (ii) to the extent that all or a portion of the Potential ROFO Space is available to lease from Landlord as of the date of this Lease, Landlord has entered into a lease with a third-party tenant for such currently available ROFO Space after the date of this Lease and the term of that lease has expired (including, without limitation, the expiration of any lease term extension period(s), regardless of whether the extension right or agreement is contained in such lease or is agreed to at any time by Landlord and the tenant under such lease or otherwise) or been terminated.

(d) Except to the extent expressly set forth in Landlord's ROFO Notice to the contrary, if Tenant elects to lease the ROFO Space, such space shall become subject to this Lease upon the same terms and conditions as are then applicable to the original Premises, except that Tenant shall take the ROFO Space in "AS IS" condition and Landlord shall have no obligation to make any improvements or alterations to the ROFO Space, and the term of Tenant's lease of the ROFO Space shall be the term specified in Landlord's ROFO Notice. Landlord shall determine the exact location of any demising walls (if any) for the ROFO Space. Tenant shall not be entitled to any tenant improvement allowances, free rent periods, or other special concessions granted to Tenant with respect to the original Premises. Upon Tenant's leasing of the ROFO Space, the "Premises" shall include the ROFO Space and, except as otherwise set forth in this Section, all computations made under this Lease based upon or affected by the rentable area of the Premises shall be recomputed to include the ROFO Space.

(e) If Tenant timely exercises its right to lease the ROFO Space: (i) Tenant's lease of the ROFO Space shall commence upon the later of: (A) the date of availability specified in Landlord's ROFO Notice; or (B) the date Landlord tenders possession of the ROFO Space in vacant condition; (ii) the ROFO under this Section 27 shall thereafter be null and void; and (iii) upon Landlord's request, Tenant shall execute an appropriate new lease or amendment, in form and content reasonably satisfactory to both Landlord and Tenant, memorializing the expansion of the Premises as set forth in this Section (provided Tenant's failure to execute such lease or amendment shall not negate the effectiveness of Tenant's exercise of the ROFO).

28. FURNITURE AND EQUIPMENT. Subject to Tenant not being in breach of this Lease, including without limitation timely payment of Rent, [Some of the Premises Personal Property is shown on Exhibit F attached hereto. All title to the Premises Personal Property shall remain with Landlord, and Tenant shall have no right to remove the Premises Personal Property from the Premises without Landlord's prior written consent. Tenant shall maintain the Premises Personal Property in good working condition throughout the Term, ordinary wear and tear excepted. Landlord makes no express or implied representations or warranties whatsoever with respect to the Premises Personal Property, and Tenant accepts the Premises Personal Property in its "as is, where is" condition. Tenant hereby represents and warrants that Tenant or Tenant's authorized representative(s) has, or have, examined and/or inspected the Premises Personal Property to ascertain its present condition, and Tenant hereby accepts the present physical condition of the Premises Personal Property "AS IS - WHERE IS". Landlord shall not hereafter be liable for any losses sustained or damages arising out of Tenant's use, operation, maintenance, repair, or other disposition of the Premises Personal Property, or for any action of Tenant in managing or using the Premises Personal Property. Tenant shall have no rights in or to the Premises Personal Property upon any default by Tenant under this Lease, in which case Landlord shall have the right to remove and dispose of the Premises Personal Property in Landlord's sole and absolute discretion. Tenant shall surrender the Premises Personal Property to Landlord in good working condition on or prior to the Surrender Date, ordinary wear and tear excepted.

[SIGNATURES ON FOLLOWING PAGE]

[]

IN WITNESS WHEREOF, the parties hereto have executed this Lease under seal as of the day and year first-above stated.

LANDLORD:
FOUR TOWER BRIDGE ASSOCIATES

TENANT:
MADRIGAL PHARMACEUTICALS, INC.

By: Brandywine TB I, L.P., its general partner

By: /s/ Marc Schneebaum

By: Brandywine TB I, L.L.C.

Name: Marc Schneebaum

By: /s/ Jeff DeVuono

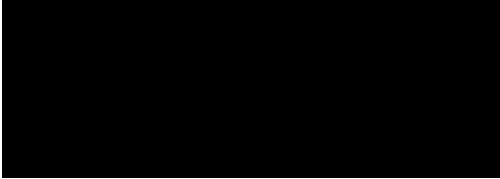
Title: Chief Financial Officer

Name: Jeff DeVuono

Title: EVP

Date: 1/10/2019

Date: 1.14.19



[Signature Page]

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Paul A. Friedman, M.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Madrigal Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Paul A. Friedman, M.D.

Paul A. Friedman, M.D.
Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)
Date: May 8, 2019

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Marc R. Schneebaum, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Madrigal Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Marc R. Schneebaum

Marc R. Schneebaum
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
Date: May 8, 2019

**CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. Section 1350)), each of the undersigned officers of Madrigal Pharmaceuticals, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 8, 2019

/s/ Paul A. Friedman, M.D.

Paul A. Friedman, M.D.

Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

Dated: May 8, 2019

/s/ Marc R. Schneebaum

Marc R. Schneebaum

Senior Vice President and Chief Financial Officer
(Principal Accounting and Financial Officer)

These certifications accompany the Form 10-Q, are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.
