UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 2)

(Mark One)

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

For the quarterly period ended September 30, 2016

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	**04-3508648**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Four Tower Bridge 200 Barr Harbor Drive, Suite 400 West Conshohocken, Pennsylvania	**19428**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(484) 380-9263**

Former name, former address and former fiscal year, if changed since last report: **Synta Pharmaceuticals Corp.**

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☒

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 November 11, 2016, the registrant had 11,570,149 shares of common stock outstanding.

EXPLANATORY NOTE

Unless the context indicates otherwise, references herein to "Madrigal," the "Company," "we," "our," and "us" mean Madrigal Pharmaceuticals, Inc. and its subsidiaries.

We are filing this Amendment No. 2 to Form 10-Q/A (this "Second Amended Form 10-Q") to amend our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2016 (the "Original Form 10-Q"), as originally filed with the Securities and Exchange Commission (the "Commission") on November 14, 2016 and later amended by Amendment No. 1 to Form 10-Q/A (the "First Amended Form 10-Q"), as filed with the Commission on November 16, 2016, to reflect a restatement of our condensed consolidated financial statements. The purpose of this Second Amended Form 10-Q is to restate the calculation of weighted average shares outstanding, which is used in the computation of net loss per share and the retrospective application of the reverse merger recapitalization of stockholders' equity. This restatement has no impact on previously reported assets, liabilities, expenses, net loss or cash flows.

As described in Note 4 of our consolidated financial statements, misstatements were identified in connection with our retrospective application of the reverse merger recapitalization on the December 31, 2015 stockholders' equity and the weighted average number of common shares outstanding used in the basic and diluted net loss per common share for all periods presented in 2016 and 2015. We determined that our unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2015 and 2016, as reported in the Original Form 10-Q, should no longer be relied upon with regard to earnings per share, and that a restatement of these financial statements was required.

As of September 30, 2016, our management concluded that we did not maintain effective internal control over financial reporting due to the existence of a material weakness that resulted in the errors identified. Due to the existence of this material weakness, management concluded that our disclosure controls and procedures were not effective as of September 30, 2016. See Item 4 of this Second Amended Form 10-Q.

Items Amended in this Filing

For the reasons discussed above, we are filing this Second Amended Form 10-Q to amend the following items in of our Original Report to the extent necessary to reflect the adjustments discussed above and make corresponding revisions to our financial data cited elsewhere in this Second Amended Form 10-Q:

- Part I, Item 1. Condensed Financial Statements (unaudited)
- Part I, Item 4. Controls and Procedures
- Part II, Item 1A. Risk Factors

We are not amending any other part of the Original Form 10-Q or the First Amended Form 10-Q. This Second Amended Form 10-Q speaks as of the date of the Original Form 10-Q, as amended by the First Amended Form 10-Q, and there are no events that occurred subsequent to the date of the Original Form 10-Q, as amended by the First Amended Form 10-Q, that require disclosure, other than the matter discussed above. In accordance with applicable Commission rules, this Second Amended Form 10-Q includes new certifications from our Chief Executive Officer and our Chief Financial Officer dated as of the date of filing this Second Amended Form 10-Q.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

MADRIGAL PHARMACEUTICALS, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

	September 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 8,393,302	$ 306,249
Marketable securities	31,164,553	—
Other receivable — related party	—	7,332
Prepaid expenses and other current assets	1,632,783	50,000
Total current assets	41,190,638	363,581
Property and equipment, net	1,476	—
Goodwill and other intangibles assets	315,070	—
Total assets	$ 41,507,184	$ 363,581
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 1,159,836	$ 102,293
Accrued expenses	2,755,554	70,203
Convertible promissory notes payable — related parties	—	48,595,166
Advances payable — related party	—	500,000
Accrued interest on advances — related party	—	9,278
Total current liabilities	3,915,390	49,276,940
Total liabilities	3,915,390	49,276,940
Stockholders' equity:		
Preferred stock, par value $0.0001 per share authorized: 5,000,000 shares at September 30, 2016 and December 31, 2015; no shares issued and outstanding at each of September 30, 2016 and December 31, 2015	—	—
Common stock, par value $0.0001 per share authorized: 200,000,000 shares at September 30, 2016 and December 31, 2015, respectively; 11,570,149 and 176,158 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	1,157	18
Additional paid-in-capital	105,161,301	6,213
Accumulated other comprehensive income	(12,485)	—
Accumulated deficit	(67,558,179)	(48,919,590)
Total stockholders' equity (deficit)	37,591,794	(48,913,359)
Total liabilities and stockholders' equity	41,507,184	363,581

See accompanying notes to condensed consolidated financial statements.

MADRIGAL PHARMACEUTICALS, INC.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues:				
Total revenues	$ —	$ —	$ —	$ —
Operating expenses:				
Research and development	7,804,921	682,588	10,409,502	1,653,922
General and administrative	6,285,597	197,441	7,058,345	660,642
Total operating expenses	14,090,518	880,029	17,467,847	2,314,564
Loss from operations	(14,090,518)	(880,029)	(17,467,847)	(2,314,564)
Interest income (expense), net	41,778	(919,805)	(1,170,742)	(2,647,530)
Net loss	$ (14,048,740)	$ (1,799,834)	$ (18,638,589)	$ (4,962,094)
Net loss per common share:				
Basic and diluted net loss per common share (restated)	$ (1.59)	$ (10.46)	$ (6.04)	$ (29.15)
Basic and diluted weighted average number of common shares outstanding (restated)	8,847,155	172,045	3,087,588	170,227

See accompanying notes to condensed consolidated financial statements.

MADRIGAL PHARMACEUTICALS, INC.
Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net loss	$ (14,048,740)	$ (1,799,834)	$ (18,638,589)	$ (4,962,094)
Other comprehensive income (loss):				
Unrealized gain (loss) on available-for-sale securities	(12,485)	—	(12,485)	—
Comprehensive loss	$ (14,061,225)	$ (1,799,834)	$ (18,651,074)	$ (4,962,094)

See accompanying notes to condensed consolidated financial statements.

MADRIGAL PHARMACEUTICALS, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
	2016	**2015**
Cash flows from operating activities:		
Net loss	$ (18,638,589)	$ (4,962,094)
Adjustments to reconcile net loss to net cash used in operating activities:		
PIK interest expense on convertible promissory notes payable — related parties	1,206,853	2,647,529
Stock-based compensation expense and share based payments	8,102,939	—
Changes in operating assets and liabilities:		
Other receivable — related parties	7,332	44,494
Prepaid expense	282,158	(50,000)
Accounts payable	269,743	329,562
Accrued expense	(3,563,700)	(55,000)
Accrued interest — related party	5,677	—
Net cash used in operating activities	(12,327,587)	(2,045,509)
Cash flows from investing activities:		
Cash received from merger transaction	5,849,278	—
Purchases of marketable securities	(2,994,698)	—
Sales and maturities of marketable securities	8,578,846	—
Purchases of property and equipment	(1,476)	—
Net proceeds from the sale of property and equipment	482,440	—
Net cash provided by in investing activities	11,914,390	—
Cash flows from financing activities:		
Proceeds from convertible notes — related parties	8,500,250	1,450,000
Proceeds from advances—related party	—	500,000
Net cash provided by financing activities	8,500,250	1,950,000
Net increase (decrease) in cash and cash equivalents	8,087,053	(95,509)
Cash and cash equivalents at beginning of period	306,249	148,066
Cash and cash equivalents at end of period	$ 8,393,302	$ 52,557
Supplemental disclosure of non-cash financing activities:		
Exchange of related party advances payable for convertible notes	500,000	—
Related party debt restructuring	13,680,000	—

See accompanying notes to condensed consolidated financial statements.

MADRIGAL PHARMACEUTICALS, INC.
Notes to Condensed Financial Statements
(Unaudited)

1. Organization, Business and Basis of Presentation

Organization and Business

Madrigal Pharmaceuticals, Inc. (the "Company" or "Madrigal") was incorporated on August 19, 2011 and commenced operations in September 2011. On September 14, 2011, the Company entered into an Assignment and Issuance Agreement pursuant to which the Company was assigned the rights, title and interest in and to the tangible and intangible assets owned by Bay City Capital Fund IV, L.P. ("Lender A") and Bay City Capital Fund IV Co-Investment Fund, L.P ("Lender B" and together with Lender A, "BCC"), in exchange for the assumption of outstanding convertible promissory notes, including accrued interest, in the amount of approximately $23,400,000 (see Note 7). Assets contributed to the Company were primarily intangible assets related to several drug development programs of VIA Pharmaceuticals, Inc. ("VIA"), which was an investee company of BCC.

The underlying assets of VIA transferred to BCC and subsequently contributed to the Company were notionally valued at $3 million. BCC credit bid $3 million for the VIA assets as part of an assignment for the benefit of creditors process. Due to the common control nature of the transaction and in accordance with accounting principles generally accepted in the United States of America ("GAAP"), the assigned assets and liabilities were recorded by the Company at their respective carryover basis which was zero for the tangible and intangible assets and $23.4 million for the assumed debt. In 2012, Madrigal entered into a transaction with Tallikut Pharmaceuticals, Inc. ("Tallikut") whereby Madrigal sold certain assets to Tallikut in exchange for the assumption of $2 million of convertible promissory notes. On July 22, 2016 the Company completed a reverse merger (the "Merger") into Synta Pharmaceuticals Corp. ("Synta") (see Note 3). Upon the consummation of the Merger, the historical financial statements of Madrigal become the Company's historical financial statements. Accordingly, the historical financial statements of Madrigal are included in the comparative prior periods.

The Company is developing novel, high-quality small-molecule drugs addressing major unmet needs in cardiovascular and metabolic diseases. The lead compound MGL-3196 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, particularly LDL-cholesterol lowering. The Company initiated a Phase II study of MGL-3196 in NASH in October of this year.

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 (U.S. 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 ended December 31, 2016 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, 2015.

2. Summary of Significant Accounting Policies

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, 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 and nine months ended September 30, 2016 and 2015, 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 and nine months ended September 30, 2016 and 2015, 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 September 30, 2016, 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 months and nine months ended September 30, 2016 and 2015, the Company did not have any transfers of financials assets between Levels 1 and 2. As of September 30, 2016, 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, and conducted Phase I & II 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 statements of operations. Patent expenses were approximately $131,000 and $20,000 for the quarters ended September 30, 2016 and 2015, respectively and $169,000 and $160,000 for the nine months ended September 30, 2016 and 2015, respectively.

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.

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.

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 and nine months ended September 30, 2016 and 2015, diluted net loss per share is the same as basic net loss per share as the inclusion of weighted average shares of unvested restricted common stock and common stock issuable upon the exercise of stock options 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:

	September 30,	
	2016	2015
Common stock options	909,977	—
Unvested restricted common stock	158,334	—
Conversion option on promissory notes — related parties	—	515,752

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-15, "Statement of Cash Flows (Topic 230): Clarification of Certain Cash Receipts and Cash Payments." The objective of ASU 2016-15 is to eliminate the diversity in practice related to the classification of certain cash receipts and payments in the statement of cash flows, by adding or clarifying guidance on eight specific cash flow issues. For public business entities, ASU 2016-15 is effective for annual and interim reporting periods beginning after December 15, 2017, with early adoption permitted. ASU 2015-16 provides that the amendments in the update should be applied retrospectively to all periods presented, unless deemed impracticable, in which case, prospective application is permitted. The Company is currently evaluating the impact this standard may have on our financial statements.

In March 2016, the FASB, issued ASU No. 2016-09, "Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting," which changes the accounting for certain aspects of share-based payments to employees. The amendments in this ASU require the recognition of the income tax effects of awards in the income statement when the awards vest or are settled, thus eliminating additional paid-in capital pools. The standard also allows the employer to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting. In addition, the standard allows for a policy election to account for tax forfeitures as they occur rather than on an estimated basis. The amendments in this ASU are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company is currently evaluating the impact of adopting this standard.

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," which amends the guidance in U.S. generally accepted accounting principles on the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the ASU clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The amendments in this ASU are effective for fiscal years and interim periods beginning after December 15, 2017, and are to be adopted by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is not permitted except for the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. The Company is currently evaluating the impact of adopting this standard.

In August 2014, the FASB issued ASU No. 2014-15, *—Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. This ASU is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern within one year of the date of issuance of the entity's financial statements and to provide related footnote disclosures. This guidance is effective for fiscal years ending after December 15, 2016, with early application permitted. If this standard had been adopted as of September 30, 2016, the Company believes that it would have concluded there was not substantial doubt about its ability to continue as a going concern. However, the Company faces risks and uncertainties, as further described in Note 1, Nature of Business¸ that would have been considered in this analysis. The adoption of this guidance may have an effect on the Company's disclosures in future periods.

In June 2014, the FASB issued ASU No. 2014-12, *—Compensation—Stock Compensation (Topic 718), Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*. ASU No. 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The amendments in this update apply prospectively to all share-based payment awards that are granted or modified on or after the effective date, or retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the consolidated financial statements, and to all new or modified awards thereafter. ASU No. 2014-12 is effective for annual periods and interim periods within those annual periods, beginning after December 15, 2015. The Company adopted ASU No. 2014-12 effective January 1, 2016.

3. Reverse Merger

On July 22, 2016, the Company, Synta and Saffron Merger Sub, Inc., a wholly-owned subsidiary of Synta ("Merger Sub"), completed the Merger pursuant to which Merger Sub merged with and into the Company with the Company becoming a wholly-owned subsidiary of Synta and the surviving corporation of the Merger. Each outstanding share of private Madrigal common stock was converted into 0.1593 shares of common stock of the post-Merger combined company. As a result, Synta issued 7.3 million shares of common stock to the stockholders of private Madrigal in exchange for common shares of private Madrigal. For accounting purposes, the Company is considered to be acquiring Synta in the Merger. The Company was determined to be the accounting acquirer based upon the terms of the Merger Agreement and other factors including: (i) Madrigal security holders own approximately 64% of the voting interests of the combined company immediately following the closing of the Merger; (ii) directors appointed by Madrigal hold

a majority of board seats in the combined company; and (iii) Madrigal management hold a majority of the key positions in the management of the combined company. As the accounting acquirer, the Company's assets and liabilities continue to be recorded at their historical carrying amounts and the historical operations that will be reflected in the financial statements will be those of the Company.

Immediately prior to the closing of the Merger, Synta completed a one-for-35 reverse stock split. Following the reverse stock split and the Merger, the post-Merger combined company had approximately 11.3 million shares outstanding and the former stockholders of the Company owned approximately 64% of the outstanding capital stock of the post-Merger combined company.

Upon the closing of the Merger, the Company incurred an expense for a success fee of $750,000 in cash plus $500,000 settled in shares of the post-Merger combined company's common stock with a third party financial advisor.

Purchase Price

Pursuant to the Merger Agreement, Synta issued to Madrigal stockholders a number of shares of Synta common stock representing approximately 64% of the outstanding shares of common stock of the combined company. The purchase price, which represents the consideration transferred to Synta stockholders in the Merger is calculated based on the number of shares of common stock of the combined company that Synta stockholders will own as of the closing of the Merger, which consists of the following:

Number of shares of the combined company to be owned by Synta stockholders(1)		4,032,734
Multiplied by the fair value of Synta common stock(2)	$	9.48
Purchase price (in thousands)	$	38,236

(1) Represents the number of shares of common stock of the combined company that Synta stockholders owned as of the closing of the Merger pursuant to the Merger Agreement, including restricted stock awards and common stock underlying outstanding restricted stock units attributed to pre-combination services rendered by certain Synta employees and directors. This amount is calculated as 3,937,309 shares of Synta common stock outstanding as of July 22, 2016, including unvested restricted common stock, plus 95,425 shares of Synta common stock issuable pursuant to restricted stock units, net of tax withholdings, that vested immediately upon closing of the Merger. The number of shares of common stock Synta issued to Madrigal stockholders was 7,253,655, calculated pursuant to the terms of the Merger Agreement based on Synta's common stock outstanding as of July 22, 2016.

(2) The fair value of Synta common stock used in determining the purchase price was $9.48, which was derived from the $0.2709 per share closing price of Synta common stock on July 21, 2016, the current price at the time of the closing, adjusted for the 1-for-35 reverse stock split.

Under the acquisition method of accounting, the total purchase price is allocated to the acquired tangible and intangible assets and assumed liabilities of Synta based on their estimated fair values as of the Merger closing date. The excess of the purchase price over the fair value of assets acquired and liabilities assumed, if any, is allocated to goodwill. The allocation of the purchase price to the acquired assets and liabilities assumed of Synta based on the fair values as of July 22, 2016 is as follows (in thousands):

Cash, cash equivalents and marketable securities	$	42,611
Prepaid expenses and other currents assets		1,715
Property and equipment, net		482
Accounts payable, accrued expenses and other liabilities		(7,019)
Term loans and capital lease obligations		(18)
In-process research and development		150
Goodwill		315
Net assets acquired	$	38,236

The application of the acquisition method of accounting is dependent upon certain valuations and other studies that have yet to be completed. The purchase price allocation will remain preliminary until Madrigal management determines the final fair values of assets acquired and liabilities assumed. The final allocation may include (1) changes in fair values of property and equipment, (2) changes in allocations to in-process research and development and goodwill based on the results of certain valuations and other studies that have yet to be completed and (3) other changes to assets and liabilities.

Convertible Promissory Notes-Related Parties

Immediately prior to the consummation of the Merger, the September 14, 2011, September 16, 2011 and March 1, 2016 (amended and restated April 13, 2016) convertible note issuances outstanding totaling $45.1 million on July 22 were converted into 7.1 million shares of common stock of the Company pursuant to their respective amended and restated terms.

Bonus Plan Awards

Pursuant to the terms of the Change in Control Bonus Plan, the participants therein received 0.6 million shares of common stock of the Company from certain former stockholders of the Company in connection with the Merger, which represented 7.87% of Madrigal's common shares outstanding at the time of the Merger. The Company recorded $5.4 million in stock compensation associated with the transaction (see Note 10).

Stock Based Compensation

Following the consummation of the Merger, the Company issued a combined 208,255 shares of restricted common stock and 557,386 stock options to purchase shares of common stock to the new Chief Executive Officer, Chief Medical Officer and Executive Vice President, and Chief Financial Officer and Senior Vice President.

4. Restatement of the Condensed Financial Statements

During the preparation of the financial statements as of and for the year ended December 31, 2016, the Company identified an error within the Company's earnings per share calculation in its previously issued unaudited financial statements for the three and nine months ended September 30, 2015 and 2016 and the retrospective application of the reverse merger to the December 31, 2015 stockholders' equity. The earnings per share calculation incorrectly included certain shares issued on the date of the Merger resulting from private Madrigal's convertible notes payable in the computation of weighted average shares outstanding. Accordingly, the weighted average number of shares outstanding for each period presented, which is used in determining the Company's net loss per share, has been reduced for each of the prior periods as presented below. These corrections have no impact on previously reported assets, liabilities, expenses, net loss or cash flows.

The table below presents the impact of this restatement, on the Company's previously-filed unaudited financial statements:

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	
	Previously Reported	Restated	Previously Reported	Restated
Net loss	$ (14,048,740)	$ (14,048,740)	$ (18,638,589)	$ (18,638,589)
Net loss per common share:				
Basic and diluted net loss per common share	$ (1.34)	$ (1.59)	$ (2.24)	$ (6.04)
Basic and diluted weighted average number of common shares outstanding	10,462,182	8,847,155	8,329,548	3,087,588

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
	Previously Reported	Restated	Previously Reported	Restated
Net loss	$ (1,799,834)	$ (1,799,834)	$ (4,962,094)	$ (4,962,094)
Net loss per common share:				
Basic and diluted net loss per common share	$ (0.25)	$ (10.46)	$ (0.68)	$ (29.15)
Basic and diluted weighted average number of common shares outstanding	7,253,655	172,045	7,253,655	170,227

5. Liquidity and Uncertainties

The Company is subject to risks common to development stage companies in the Bio-Pharmaceutical 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 $18,639,000 for the nine months ended September 30, 2016, resulting in an accumulated deficit of approximately $67,558,000 as of September 30, 2016. Management expects to incur losses for the foreseeable future. To date, the Company has funded its operations primarily through the issuance of convertible debt (see Note 7) and the proceeds from the Merger on July 22, 2016 (see Note 3). The working capital obtained through the Merger together with the conversion of all outstanding convertible notes is anticipated to fund the Company's operations for at least the next twelve months from the balance sheet date.

6. Cash, Cash Equivalents and Marketable Securities

A summary of cash, cash equivalents and available-for-sale marketable securities held by the Company as of September 30, 2016 and December 31, 2015 is as follows:

	September 30, 2016			
	Amortized Cost	Unrealized gains	Unrealized losses	Fair value
Cash and cash equivalents:				
Cash and money market funds (Level 1)	$ 8,393,302	$ —	$ —	$ 8,393,302
Corporate debt securities due within 3 months of date of purchase (Level 2)	—	—	—	—
Total cash and cash equivalents	8,393,302	—	—	8,393,302
Marketable securities:				
Corporate debt securities due within 1 year of date of purchase (Level 2)	31,177,038		(12,485)	31,164,553
Total cash, cash equivalents and marketable securities	$ 39,570,340	$ —	$ (12,485)	$ 39,557,855

	December 31, 2015			
	Amortized Cost	Unrealized gains	Unrealized Losses	Fair value
Cash and cash equivalents:				
Cash and money market funds (Level 1)	$ 306,249	$ —	$ —	$ 306,249
Total cash, cash equivalents and marketable securities	$ 306,249	$ —	$ —	$ 306,249

7. Convertible Promissory Notes — Related Parties

Convertible Promissory Note Amendments:

Effective April 13, 2016, the Lenders collectively waived all accrued and unpaid interest under all of the convertible notes. The total accrued and waived interest amounted to $13,680,000. The Lenders also agreed that no additional interest on these notes would be accrued through the date on which the Merger is consummated or terminated. On April 13, 2016, the Company reduced the convertible notes payable by the waived interest less $2,456,000 of accrued interest for the period April 14, 2016 through the maturity date of December 31, 2016, as required under Troubled Debt Restructuring accounting guidance. The net waived interest of $11,224,000 was recorded as an increase in Additional Paid in Capital ("APIC") at the time of the amendment as the notes were held by related parties. The remaining $2,456,000 of accrued interest was recorded as an increase in APIC upon conversion at the Merger.

September 14, 2011 Notes

The Company was assigned convertible promissory notes ("the September 14, 2011 Notes") pursuant to an Assignment and Issuance Agreement with Lender A and Lender B or collectively the "Lender(s)". Lender A and Lender B are stockholders of the Company. Interest on the outstanding principal accrued and compounded monthly at 8% per annum. Accrued and unpaid interest was to be either paid upon principal repayment or converted with the outstanding principal amount. The notes were collateralized by all assets of the Company. The initial maturity date was December 31, 2012 but was amended on various dates extending the maturity date to December 31, 2016. The September 14, 2011 Notes could be converted as follows:

(a) Optional Conversion — Third Party Financing. At any time following the closing of a preferred equity financing with an outside investor ("Third Party"), all outstanding principal and interest ("Accreted Value") may, at the option of the Lenders, be converted into equity securities of the Company, having the same rights, preferences and privileges as the securities issued in the Third Party financing ("Third Party Led Securities"). The numbers of shares to be issued upon such conversion shall be equal to the quotient obtained by dividing (a) the Accreted Value on the date of conversion by (b) eighty percent (80%) of the per share purchase price of the Third Party Led Securities.

(b) Optional Conversion — Series A Preferred Stock. At any time, all Accreted Value may, at the option of the Lenders, be converted into shares of the Company's Series A Preferred Stock. The number of shares of Series A Preferred Stock to be issued upon such conversion shall be equal to the quotient obtained by dividing (a) the Accreted Value on the date of conversion by (b) the original issue prices of the Series A Preferred Stock.

(c) Optional Conversion — Common Stock. At any time, Lenders may convert all or any portion of the Accreted Value of the Note into common shares of the Company with the number of common shares issuable upon such conversion to equal the quotient obtained by dividing (a) the Accreted Value on the date of conversion by (b) 14.29759. Any Third Party Led Securities and Series A Preferred Stock issued to the Lenders shall be convertible at any time at the option of Lenders into common stock of the Company.

(d) Mandatory Conversion. If the principal and interest of the convertible note has not been repaid in full by the maturity date, the Accreted Value shall automatically convert into common stock of the Company. The conversion price shall equal to the per share value of the Company's common stock at the time of conversion.

September 14, 2011 Notes (Amended and Restated April 13, 2016)

On April 13, 2016, the Company amended and restated the terms to modify the conversion terms to include the following:

(a) Optional Conversion — Common Stock. At any time following the date on which the Merger Agreement is terminated as defined in the agreement, Lenders may convert all of the Accreted Value of the Note into common shares of the Company with the number of common shares issuable upon such conversion to equal the quotient obtained by dividing (a) the Accreted Value on the date of conversion by (b) 1.00.

(b) Mandatory Conversion Upon a Merger with Synta. If a Merger was consummated prior to the maturity date all Accreted Value would automatically be converted into shares of Common Stock of the Company. The number of shares of Common Stock to be issued upon such conversion would be equal to the quotient obtained by dividing (a) the Accreted Value on the date of conversion by (b) 1.00.

September 16, 2011 Notes

The Company entered into a Note Purchase Agreement with Lender A and Lender B in which the Company agreed to sell and issue to the Lenders secured convertible promissory notes ("the September 16, 2011 Notes"). Interest on the outstanding principal accrued and compounded monthly at 8% per annum. Accrued and unpaid interest shall either be paid upon principal repayment or converted with the outstanding principal amount. The notes were collateralized by all assets of the Company. The initial maturity date was the earliest of October 31, 2012 or an event of default as defined in the agreement but such notes have been amended on various dates extending the maturity date to December 31, 2016. The September 16, 2011 notes can by converted as follows:

(a) Optional Conversion — Third Party Financing. At any time following the closing of a preferred equity financing with a Third Party, all Accreted Value may, at the option of the Lenders, be converted into equity securities of the Company, having the same rights, preferences and privileges as the securities issued in the Third Party financing. The numbers of shares to be issued upon such conversion shall be equal to the quotient obtained by dividing (a) the Accreted Value on the date of conversion by (b) eighty percent (80%) of the per share purchase price of the Third Party Led Securities.

In addition, the Company shall issue to each Lender, upon conversion of such Lender's note, a warrant to purchase up to the number of shares of Third Party Led Securities sold in such Third Party Financing that equals the quotient obtained by dividing (a) ten percent (10%) of the original principal amount of the notes issued to such Lenders pursuant to the Note Purchase Agreement by (b) the per share purchase price of the Third Party Led Securities. The Company has not issued any warrants to date.

(b) Optional Conversion — Series A Preferred Stock. At any time, all Accreted Value may, at the option of the Lenders, be converted into shares of the Company's Series A Preferred Stock. The number of shares of Series A Preferred Stock to be issued upon such conversion shall be equal to the Quotient obtained by dividing (a) the Accreted Value on the date of conversion by (b) 14.29759.

September 16, 2011 Notes (Amended and Restated April 13, 2016)

On April 13, 2016, the Company amended and restated the terms to modify the conversion terms to include the following:

(a) Optional Conversion — Common Stock. At any time following the date on which the Merger Agreement is terminated as defined in the agreement, Lenders may convert all of the Accreted Value of the Note into common shares of the Company with the number of common shares issuable upon such conversion to equal the quotient obtained by dividing (a) the Accreted Value on the date of conversion by (b) 1.00.

(b) Optional Conversion — Series A Preferred Stock. At any time following the date on which the Merger Agreement is terminated as defined in the agreement, Lenders may convert all of the Accreted Value of the Note into Series A Preferred Stock of the Company, $0.0001 par value per share ("Series A Preferred Stock") with the number of Series A Preferred Stock issuable upon such conversion to equal the quotient obtained by dividing (a) the Accreted Value on the date of conversion by (b) the original issue price of the Series A Preferred Stock, as adjusted for splits, dividends and the like.

(c) Mandatory Conversion Upon a Merger with Synta. If a Merger was consummated prior to the maturity date all Accreted Value would automatically be converted into shares of Common Stock of the Company. The number of shares of Common Stock to be issued upon such conversion would be equal to the quotient obtained by dividing (a) the Accreted Value on the date of conversion by (b) 1.00.

March 1, 2016 Notes

On March 1, 2016, the Company entered into a Note Purchase Agreement with Lender A and Lender B in which the Company agreed to sell and issue to the Lenders secured convertible promissory notes ("the March 1, 2016 Notes") in the amount of up to $2,000,000. Interest on the outstanding principal accrued and compounded monthly at 8% per annum. Accrued and unpaid interest shall either be paid upon repayment or converted with the outstanding principal amount. The notes were collateralized by all assets of the Company. The maturity date is the earliest of December 31, 2016 or an event of default as defined in the agreement. On March 1, 2016, the first closing date, $750,000 aggregate principal amount was issued. The March 1, 2016 notes could be converted as follows:

(a) Optional Conversion — Third Party Financing. At any time following the closing of a preferred equity financing by the Company led by a Third Party, all Accreted Value may, at the option of the Lenders, be converted into equity securities of the Company, having the same rights, preferences and privileges as the securities issued in the Third Party financing . The

numbers of shares to be issued upon such conversion shall be equal to the quotient obtained by dividing (a) the Accreted Value on the date of conversion by (b) the per share purchase price of the Third Party Led Securities.

(b) Optional Conversion — Series A Preferred Stock. At any time, all Accreted Value may, at the option of the Lenders, be converted into shares of the Company's Series A Preferred Stock. The number of shares of Series A Preferred Stock to be issued upon such conversion shall be equal to the Quotient obtained by dividing (a) the Accreted Value on the date of conversion by (b) the original issue price of the Series A Preferred Stock.

(c) Optional Conversion — Common Stock. At any time, Lenders may convert all of the Accreted Value of the Note into common shares of the Company with the number of common shares issuable upon such conversion to equal the quotient obtained by dividing (a) the Accreted Value on the date of conversion by (b) the then per share fair market value of Common Stock. Any Third Party Led Securities and Series A Preferred Stock issued to the Lenders shall be convertible at any time at the option of Lenders into common stock of the Company.

March 1, 2016 Notes (Amended and Restated April 13, 2016)

On April 13, 2016, the Company amended and restated the terms of its March 1, 2016 Note Purchase Agreement to increase the principal amount of notes available for issuance to $9,000,000, to be funded at specific dates in accordance with a funding schedule, and to add two additional related party lenders ("Lender C and Lender D"). The notes were collateralized by all assets of the Company and are senior in right of payment to all outstanding indebtedness of the Company. The maturity date is the earliest of December 31, 2016, the date the Merger Agreement is terminated (see Note 3), or an event of default as defined in the agreement. The conversion terms of the March 1, 2016 notes were amended to include the following:

(a) Optional Conversion-Qualified Financing. At any time following the closing of a preferred equity financing of the Company (a "Qualified Financing"), all Accreted Value may, at the option of the Lenders, be converted into equity securities of the Company of the same class and having the same rights, preferences and privileges as the securities issued in the Qualified Financing (the "Qualified Financing Securities"). The number of shares of Qualified Financing Securities to be issued upon such conversion shall be equal to the quotient obtained by dividing (a) the Accreted Value on the date of conversion by (b) the product of 0.85 times the lowest per share purchase price of the Qualified Financing Securities paid by the other investors in the Qualified Financing.

(b) Optional Conversion — Series A Preferred Stock. At any time following the date on which the Merger Agreement is terminated as defined in the agreement, all Accreted Value may, at the option of the Lenders, be converted into shares of the Company's Series A Preferred Stock. The number of shares of Series A Preferred Stock to be issued upon such conversion shall be equal to the Quotient obtained by dividing (a) the Accreted Value on the date of conversion by (b) the original issue price of the Series A Preferred Stock.

(c) Optional Conversion — Common Stock. At any time following the date on which the Merger Agreement is terminated as defined in the agreement, Lenders may convert all of the Accreted Value of the Note into common shares of the Company with the number of common shares issuable upon such conversion to equal the quotient obtained by dividing (a) the Accreted Value on the date of conversion by (b) 1.07581.

(d) Mandatory Conversion Upon a Merger with Synta. If a Merger was consummated prior to the maturity date all Accreted Value would automatically be converted into shares of Common Stock of the Company. The number of shares of Common Stock to be issued upon such conversion would be equal to the quotient obtained by dividing (a) the Accreted Value on the date of conversion by (b) 1.07581.

Lenders A, B, C and D provided convertible promissory note financing of $8,500,000 in cash during the period March 1, 2016 through the Merger. Additionally, on April 13, 2016, Lender D exchanged $500,000 of Advances Payable for an equal amount of convertible promissory notes.

8. Advances Payable — Related Party

On June 29, 2015 and July 30, 2015 a related party agreed to advance the Company a total of $500,000 to be used for working capital requirements. The advances accrued interest at a rate of four percent (4%) per annum compounded annually. On April 13, 2016, these advances were exchanged for $500,000 in convertible promissory notes payable and all accrued interest was waived (see Note 7).

9. Stockholders' Equity (Deficit)

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.

At-The-Market Issuance Sales Agreement

In October 2015, the Company entered into an at-the-market issuance sales agreement (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 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 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 September 30, 2016, no shares have been sold to-date under the October 2015 Sales Agreement.

10. 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 incentive 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 September 30, 2016, the Company had options outstanding to purchase 909,977 shares of its common stock, which includes options outstanding under its 2006 Stock Plan that was terminated in June 2015. As of September 30, 2016, 538,093 shares were available for future issuance.

The following table summarizes stock option activity during the nine months ended September 30, 2016:

	Shares	Weighted average exercise price
Outstanding at January 1, 2016	289,350	$ 159.66
Options granted	772,410	9.51
Options exercised	—	—
Options cancelled	(151,783)	207.97
Outstanding at September 30, 2016	909,977	$ 18.61
Exercisable at September 30, 2016	268,567	$ 37.21

The total cash received by the Company as a result of stock option exercises was $0 in each of the nine months ended September 30, 2016 and 2015. The weighted-average grant date fair values, based on the Black-Scholes option model, of options granted during the nine months ended September 30, 2016 was $7.50.

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.

The following table summarizes unvested restricted share activity during the nine months ended September 30, 2016:

	Shares	Weighted average grant date fair value
Outstanding at January 1, 2016	12,192	$ 91.46
Granted	208,765	9.46
Forfeited	(49)	77.00
Vested	(62,574)	22.31
Outstanding at September 30, 2016	158,334	$ 10.67

Stock-Based Compensation Expense

Stock-based compensation expense during the three months and nine months ended September 30, 2016 and 2015 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Stock-based compensation expense by type of award:				
Employee stock options	$ 1,346,761	$ —	$ 1,346,761	$ —
Restricted stock	595,317	—	595,317	—
Change in control bonus plan (see Note 3)	5,410,840	—	5,410,840	—
Total stock-based compensation expense	$ 7,352,918	$ —	$ 7,352,918	$ —
Effect of stock-based compensation expense by line item:				
Research and development	$ 5,260,370	$ —	$ 5,260,370	$ —
General and administrative	2,092,548	—	2,092,548	—
Total stock-based compensation expense included in net loss	$ 7,352,918	$ —	$ 7,352,918	$ —

Unrecognized stock-based compensation expense as of September 30, 2016 was as follows:

	Unrecognized stock compensation expense	Weighted average remaining period (in years)
Employee stock options	$ 4,868,528	2.56
Restricted stock	1,498,592	2.68
Total	$ 6,367,120	2.59

11. Related Party Transactions

Related party financing

Lenders A and B have provided financing to the Company since its inception. Lenders A, B, C and D had agreed to provide funding under the April 13, 2016 amended and restated March 1, 2016 agreement. For the nine months ended September 30, 2016 and September 30, 2015, the Company incurred approximately $1,213,000 and $2,648,000, respectively of interest expense to these Lenders which was subsequently waived (see Note 7). This debt was converted to equity at the time of the Merger.

Consulting agreement

The Company had a consulting agreement with its former Chief Executive Officer ("CEO"), who is also a stockholder of the Company. The consulting agreement automatically renewed monthly unless terminated. The consulting agreement could be terminated upon fifteen (15) day notice by the Company or the CEO. The consultant was paid $10,000 and $41,000, respectively, for the three months ended September 30, 2016 and 2015. The consultant was paid $93,000 and $124,000, respectively, for the nine months ended September 30, 2016 and 2015. On July 22, 2016, this consulting agreement was replaced by an employment agreement for the position of Chief Medical Officer ("CMO") upon the completion of the Merger (see Note 3).

12. Commitments and Contingencies

The Company has a Research, Development and Commercialization Agreement with Hoffmann-La Roche ("Roche") which grants 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 $10.8 million and are earned by the commencement of Phase II and Phase III clinical trials as well as future regulatory approval in the United States and Europe of a product developed from MGL-3916. A single-digit royalty payment range is based on net sales of products developed from MGL-3196, subject to certain reductions. In October 2016 the Company commenced a Phase II 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 has no Licensed Product sales for the quarters ended September 30, 2016 and 2015.

During 2016, the Company has entered into several customary contractual arrangements and letters of intent in preparation for and in support of the expected Phase II clinical trials.

13. Subsequent Event

In October 2016 the Company announced that the first patient had been dosed in its Phase 2 study of MGL-3196 for the treatment of non-alcoholic steatohepatitis (NASH), which triggered a milestone payment under the Research, Development and Commercialization Agreement with Roche (see Note 12).

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Our management evaluates these controls and procedures on an ongoing basis.

In our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2016, filed with the Commission on November 14, 2016, our principal executive officer and principal financial officer concluded that, as of September 30, 2016, our disclosure controls and procedures were effective at a reasonable assurance level. Subsequent to that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of September 30, 2016, due to a material weakness in internal control over financial reporting described below.

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 it stated goals under all potential future conditions.

Material Weakness in Internal Control Over Financial Reporting

A material weakness is "a deficiency or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statement will not be prevented or detected in a timely basis." We did not design and maintain effective controls over accuracy of earnings per share and recapitalization of the prior year shares outstanding. Specifically, the design of our internal controls did not identify that certain shares associated with convertible promissory notes were improperly included in the calculation of weighted average shares outstanding, which are used in the determination of earnings per share. The error that resulted from the material weakness required us to restate our interim financial statements for the three and nine months ended September 30, 2015 and 2016 for our earnings per share determination. Additionally, this material weakness could result in misstatements of the aforementioned disclosures that would result in a material misstatement of the annual or interim consolidated financial statements that would not be prevented or detected.

Changes in Internal Control Over Financial Reporting

There have been no changes in internal control over financial reporting during the quarter ended September 30, 2016 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Remediation Efforts to Address the Material Weakness

Our management has corrected the process of calculating our earnings per share, including additional instruction to our accounting staff on the calculation of earnings per share. No other changes were required to remediate the control. With the effective operation of these enhanced controls, we expect remediation of the material weakness in fiscal 2017.

PART II - OTHER INFORMATION

Item 1A. Risk Factors.

You should carefully consider the risks described below, together with all of the other information included in or incorporated by reference into this report, before making an investment decision. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we do not currently believe are important to an investor may also harm our business operations. If any of the events, contingencies, circumstances or conditions described in the following risks actually occurs, our business, financial condition or our results of operations could be seriously harmed. If that happens, the trading price of our common stock could decline and you may lose part or all of the value of any of our shares held by you.

Risks Related to our Business

We have identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our financial statements or cause us to fail to meet our reporting obligations or fail to prevent fraud; and in that case, our stockholders could lose confidence in our financial reporting, which would harm our business and could negatively impact the price of our stock.

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. If we fail to maintain an effective system of internal controls, we may be unable to report our financial results accurately or prevent fraud; and in that case, our stockholders could lose confidence in our financial reporting, which would harm our business and could negatively impact the price of our stock. As of September 30, 2016, management reported a material weakness in our system of internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. We are remediating this material weakness. We cannot assure you that the measures we have taken to date will be sufficient to avoid future material weaknesses. Even when we conclude that our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements.

Our reporting obligations as a public company will place a significant strain on our management, operational and financial resources and systems for the foreseeable future. If we fail to maintain the adequacy of our internal control over financial reporting, we may not be able to produce reliable financial reports or help prevent fraud. Our failure to maintain effective internal control over financial reporting could prevent us from filing our periodic reports on a timely basis which could result in the loss of investor confidence in the reliability of our financial statements, harm our business and negatively impact the trading price of our common stock.

Item 6. Exhibits.

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

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: March 31, 2017

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

Date: March 31, 2017

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

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certifications of Principal Executive Officer and Principal Financial Officer 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

* The certifications attached as Exhibit 32.1 accompany this Second Amended Form 10-Q pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and 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 of 1933, as amended, or the Exchange Act, irrespective of any general incorporation language contained in any such filing.

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECURITIES 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/A 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.

Date: March 31, 2017

/s/ Paul A. Friedman, M.D.
Paul A. Friedman, M.D.
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECURITIES 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/A 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.

Date: March 31, 2017

/s/ Marc R. Schneebaum
Marc R. Schneebaum
Senior Vice President and Chief Financial Officer
(Principal Accounting and Financial Officer)

Exhibit 32.1

**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/A for the period ended September 30, 2016 (the "Form 10-Q/A") 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/A fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 2017

/s/ Paul A. Friedman, M.D.
Paul A. Friedman, M.D.
Chairman and Chief Executive Officer
(Principal Executive Officer)

Dated: March 31, 2017

/s/ Marc R. Schneebaum
Marc R. Schneebaum
Senior Vice President and Chief Financial Officer
(Principal Accounting and Financial Officer)

A signed original of this written statement required by Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. Section 1350), has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. These certifications accompany the Form 10-Q/A, 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/A), irrespective of any general incorporation language contained in such filing.