
**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 **June 30, 2022**

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:

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

Securities registered pursuant to Section 12(g) of the Exchange Act: **None.**

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 August 1, 2022, the registrant had 17,103,395 shares of common stock outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	June 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 53,272	\$ 36,269
Marketable securities	158,494	234,077
Prepaid expenses and other current assets	2,780	1,338
Total current assets	214,546	271,684
Property and equipment, net	789	851
Right-of-use asset	1,057	797
Total assets	<u>\$ 216,392</u>	<u>\$ 273,332</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 11,294	\$ 21,380
Accrued expenses	71,836	55,048
Lease liability	879	410
Total current liabilities	84,009	76,838
Long term liabilities:		
Loan payable, net of discount	48,670	—
Lease liability	178	387
Total long term liabilities	48,848	387
Total liabilities	<u>132,857</u>	<u>77,225</u>
Stockholders' equity:		
Preferred stock, par value \$0.0001 per share authorized: 5,000,000 shares at June 30, 2022 and December 31, 2021; 1,969,797 shares issued and outstanding at June 30, 2022 and December 31, 2021	—	—
Common stock, par value \$0.0001 per share authorized: 200,000,000 at June 30, 2022 and December 31, 2021; 17,103,395 shares issued and outstanding at June 30, 2022 and December 31, 2021	2	2
Additional paid-in-capital	879,538	863,495
Accumulated other comprehensive loss	(447)	(80)
Accumulated deficit	(795,558)	(667,310)
Total stockholders' equity	83,535	196,107
Total liabilities and stockholders' equity	<u>\$ 216,392</u>	<u>\$ 273,332</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 June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:				
Total revenues	\$ —	\$ —	\$ —	\$ —
Operating expenses:				
Research and development	58,499	51,632	106,428	97,402
General and administrative	11,774	10,110	21,432	17,319
Total operating expenses	<u>70,273</u>	<u>61,742</u>	<u>127,860</u>	<u>114,721</u>
Loss from operations	(70,273)	(61,742)	(127,860)	(114,721)
Interest income	323	91	392	251
Interest expense	(780)	—	(780)	—
Other income	—	—	—	273
Net loss	<u>\$ (70,730)</u>	<u>\$ (61,651)</u>	<u>\$ (128,248)</u>	<u>\$ (114,197)</u>
Net loss per common share:				
Basic and diluted net loss per common share	\$ (4.14)	\$ (3.72)	\$ (7.50)	\$ (7.05)
Basic and diluted weighted average number of common shares outstanding	17,103,395	16,571,322	17,103,395	16,207,880

See accompanying notes to condensed consolidated financial statements.

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net Loss	\$ (70,730)	\$ (61,651)	\$ (128,248)	\$ (114,197)
Other comprehensive income (loss):				
Unrealized gain (loss) on available-for-sale securities	(45)	29	(367)	(32)
Comprehensive loss	<u>\$ (70,775)</u>	<u>\$ (61,622)</u>	<u>\$ (128,615)</u>	<u>\$ (114,229)</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, 2021	1,969,797	\$ —	17,103,395	\$ 2	\$ 863,495	\$ (80)	\$ (667,310)	\$ 196,107
Compensation expense related to stock options for services	—	—	—	—	7,477	—	—	7,477
Unrealized loss on marketable securities	—	—	—	—	—	(322)	—	(322)
Net loss	—	—	—	—	—	—	(57,518)	(57,518)
Balance at March 31, 2022	1,969,797	\$ —	17,103,395	\$ 2	\$ 870,972	\$ (402)	\$ (724,828)	\$ 145,744
Compensation expense related to stock options for services	—	—	—	—	7,944	—	—	7,944
Unrealized loss on marketable securities	—	—	—	—	—	(45)	—	(45)
Issuance of warrants	—	—	—	—	622	—	—	622
Net loss	—	—	—	—	—	—	(70,730)	(70,730)
Balance at June 30, 2022	<u>1,969,797</u>	<u>\$ —</u>	<u>17,103,395</u>	<u>\$ 2</u>	<u>\$ 879,538</u>	<u>\$ (447)</u>	<u>\$ (795,558)</u>	<u>\$ 83,535</u>
Balance at December 31, 2020	1,969,797	\$ —	15,508,146	\$ 2	\$ 665,385	\$ 47	\$ (425,464)	\$ 239,970
Issuance of common shares in equity offering, excluding to related parties, net of transaction costs	—	—	550,803	—	66,616	—	—	66,616
Sale of common shares to related parties and exercise of common stock options, net of transaction costs	—	—	4,250	—	478	—	—	478
Compensation expense related to stock options for services	—	—	—	—	6,096	—	—	6,096
Unrealized loss on marketable securities	—	—	—	—	—	(61)	—	(61)
Net loss	—	—	—	—	—	—	(52,546)	(52,546)
Balance at March 31, 2021	1,969,797	\$ —	16,063,199	\$ 2	\$ 738,575	\$ (14)	\$ (478,010)	\$ 260,553
Issuance of common shares in equity offering, excluding to related parties, net of transaction costs	—	—	536,323	—	63,541	—	—	63,541
Compensation expense related to stock options for services	—	—	—	—	8,179	—	—	8,179
Unrealized gain on marketable securities	—	—	—	—	—	29	—	29
Net loss	—	—	—	—	—	—	(61,651)	(61,651)
Balance at June 30, 2021	<u>1,969,797</u>	<u>\$ —</u>	<u>16,599,522</u>	<u>\$ 2</u>	<u>\$ 810,295</u>	<u>\$ 15</u>	<u>\$ (539,661)</u>	<u>\$ 270,651</u>

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$(128,248)	\$ (114,197)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	15,421	14,275
Depreciation and amortization expense	217	202
Amortization of debt issuance costs and discount	178	—
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(1,442)	(1,208)
Accounts payable	(10,086)	50
Accrued expense	16,788	10,018
Accrued interest, net of interest received on maturity of investments	(101)	550
Net cash used in operating activities	<u>(107,273)</u>	<u>(90,310)</u>
Cash flows from investing activities:		
Purchases of marketable securities	(116,496)	(224,071)
Sales and maturities of marketable securities	191,813	163,328
Purchases of property and equipment, net of disposals	(155)	(46)
Net cash provided by (used in) investing activities	<u>75,162</u>	<u>(60,789)</u>
Cash flows from financing activities:		
Proceeds from issuances of stock, excluding related parties, net of transaction costs	—	130,157
Proceeds from the exercise of common stock options	—	478
Proceeds from issuance of loan payable	50,000	—
Payment of debt issuance costs	(886)	—
Net cash provided by financing activities	<u>49,114</u>	<u>130,635</u>
Net increase (decrease) in cash and cash equivalents	17,003	(20,464)
Cash and cash equivalents at beginning of period	36,269	54,004
Cash and cash equivalents at end of period	<u>\$ 53,272</u>	<u>\$ 33,540</u>
Supplemental disclosure of cash flow information:		
Obtaining a right-of-use asset in exchange for a lease liability	\$ 583	\$ 376

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 biopharmaceutical company pursuing novel therapeutics for nonalcoholic steatohepatitis (NASH), a liver disease with high unmet medical need. Madrigal’s lead candidate, resmetirom, is a once daily, oral, thyroid hormone receptor (THR)-β selective agonist designed to target key underlying causes of NASH in the liver. Resmetirom is currently being evaluated in two Phase 3 clinical studies (MAESTRO-NASH and MAESTRO-NAFLD-1) designed to demonstrate multiple benefits in patients with NASH. The Company announced results from the Phase 3 MAESTRO-NAFLD-1 safety study of resmetirom in 2022.

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 consolidated 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, 2022 or any subsequent period. These unaudited condensed consolidated 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, 2021.

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, 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, 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.

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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. 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. 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 six months ended June 30, 2022 and 2021, 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 six months ended June 30, 2022 and 2021, 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 June 30, 2022, the Company's financial assets valued based on Level 1 inputs consisted of cash and cash equivalents in a money market fund, its financial assets valued based on Level 2 inputs consisted of high-grade corporate and government agency bonds and commercial paper, and it had no financial assets valued based on Level 3 inputs. During the six months ended June 30, 2022 and 2021, the Company did not have any transfers of financial assets between Levels 1 and 2. As of June 30, 2022 and December 31, 2021, 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, milestone payments under licensing agreements, and other costs associated with the Company's preclinical and clinical programs. In particular, the Company has conducted safety studies in animals, optimized and implemented the manufacturing of our drug, and conducted Phase 1-3 clinical trials, all of which are considered research and development expenditures. Management uses significant judgment in estimating the amount of research and development costs recognized in each reporting period. Management analyzes and estimates the progress of its preclinical studies and clinical trials, completion of milestone events per underlying agreements, invoices received and contracted costs when estimating the research and development costs to accrue in each reporting period. Actual results could differ from the Company's estimates.

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.

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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 any 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 six months ended June 30, 2022 and 2021, 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:

	Six Months Ended June 30,	
	2022	2021
Common stock options	2,976,545	2,268,787
Preferred stock	1,969,797	1,969,797
Warrants	14,899	—

Recent Accounting Pronouncements

None

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 (FDA) and other government regulations.

The Company has incurred losses since inception, including approximately \$128.2 million for the six months ended June 30, 2022, resulting in an accumulated deficit of approximately \$795.6 million as of June 30, 2022. Management expects to incur losses for the foreseeable future. To date, the Company has funded its operations primarily through proceeds from sales of the Company’s capital stock. In addition, the Company entered into a Loan and Security Agreement (the “Loan Facility”) with Hercules Capital, Inc. and the several banks and other financial institutions or entities party thereto in May 2022 which provides for an aggregate of up to \$250.0 million in term loans, which will be available in four tranches, subject to the Company’s achievement of certain milestones. The first \$50.0 million tranche was drawn at closing (see Note 6 – Long Term Debt). The Company believes that its cash, cash equivalents and marketable securities at June 30, 2022 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 June 30, 2022 and December 31, 2021 is as follows (in thousands):

	June 30, 2022			Fair Value
	Cost	Unrealized gains	Unrealized losses	
Cash and cash equivalents:				
Cash (Level 1)	\$ 1,728	\$ —	\$ —	\$ 1,728
Money market funds (Level 1)	37,809	—	—	37,809
Corporate debt securities due within 3 months of date of purchase (Level 2)	13,735	—	—	13,735
Total cash and cash equivalents	53,272	—	—	53,272
Marketable securities:				
Corporate debt securities due within 1 year of date of purchase (Level 2)	152,923	1	(431)	152,493
U.S. government and government sponsored entities due within 1 year of date of purchase (Level 2)	6,018	—	(17)	6,001
Total cash, cash equivalents and marketable securities	\$212,213	\$ 1	\$ (448)	\$ 211,766

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	December 31, 2021			
	Cost	Unrealized gains	Unrealized losses	Fair Value
Cash and cash equivalents:				
Cash (Level 1)	\$ 18,877	\$ —	\$ —	\$ 18,877
Money market funds (Level 1)	17,392	—	—	17,392
Total cash and cash equivalents	36,269	—	—	36,269
Marketable securities:				
Corporate debt securities due within 1 year of date of purchase (Level 2)	228,348	6	(66)	228,288
Corporate debt securities due within 1 to 2 years of date of purchase (Level 2)	5,809	—	(20)	5,789
Total cash, cash equivalents and marketable securities	<u>\$ 270,426</u>	<u>\$ 6</u>	<u>\$ (86)</u>	<u>\$ 270,346</u>

5. Accrued Liabilities

Accrued liabilities as of June 30, 2022 and December 31, 2021 consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
Contract research organization costs	\$ 57,288	\$ 38,349
Other clinical study related costs	4,369	3,957
Compensation and benefits	3,577	6,769
Professional fees	3,959	2,455
Other	2,643	3,518
Total accrued liabilities	<u>\$ 71,836</u>	<u>\$ 55,048</u>

6. Long Term Debt

In May 2022 the Company and its wholly-owned subsidiary, Canticle Pharmaceuticals, Inc., entered into the \$250.0 million Loan Facility with the several banks and other financial institutions or entities party thereto (each, a “Lender” and collectively referred to as the “Lenders”), and Hercules Capital, Inc. (“Hercules”), in its capacity as administrative agent and collateral agent for itself and the Lenders. Under the terms of the Loan Facility, the first \$50.0 million tranche was drawn at closing. The Company may also draw up to an additional \$125.0 million in two separate tranches upon achievement of certain resmetirom clinical and regulatory milestones. A fourth tranche of \$75.0 million may be drawn by the Company, subject to the approval of Hercules.

The Loan Facility has a minimum interest rate of 7.45% and adjusts with changes in the prime rate. The Company will pay interest-only monthly payments of accrued interest under the Loan Facility for a period of 30 months, which period may be extended to 36, 48, and 60 months upon the successive achievement of certain clinical and regulatory milestones and if the Company maintains compliance with applicable covenants. The Loan Facility matures in May 2026 and may be extended an additional year upon the achievement of certain clinical and regulatory milestones. The Loan Facility is secured by a security interest in substantially all of the Company’s assets, other than intellectual property. It includes an end of term charge of 5.35% of the aggregate principal amount, which is accounted for in the loan discount. In connection with the first tranche drawn at closing, the Company issued Hercules a warrant to purchase 14,899 shares, which had a Black-Scholes value of \$0.6 million. Additional details of the Loan Facility were filed with the Securities and Exchange Commission (“SEC”) on a Current Report on Form 8-K on May 9, 2022 and the Loan and Security Agreement associated with the Loan Facility is included as an exhibit to this Quarterly Report on Form 10-Q.

The Loan Facility includes affirmative and restrictive financial covenants commencing on January 1, 2023, including maintenance of a minimum cash, cash equivalents and liquid funds covenant of \$35.0 million, which may decrease in certain circumstances if the Company achieves certain clinical milestones and a revenue milestone, and a revenue-based covenant that could apply commencing at or after the time that financial reporting is due for the quarter ending September 30, 2024. The Loan Facility also includes customary covenants associated with a secured loan facility, including covenants concerning financial reporting obligations, and certain limitations on indebtedness, liens (including a negative pledge on intellectual property and other assets), investments, distributions (including dividends), collateral, investments, distributions, transfers, mergers or acquisitions, taxes, corporate changes, and deposit accounts.

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As of June 30, 2022, the outstanding principal under the Loan Facility was \$50.0 million. The interest rate as of June 30, 2022 was 8.70%. As of June 30, 2022, the Company was in compliance with all loan covenants and provisions.

Future minimum payments, including interest and principal, under the loans payable outstanding as of June 30, 2022 are as follows (in thousands):

Period Ending June 30, 2022:	Amount
2022 (remaining six months)	\$ 2,196
2023	4,410
2024	9,338
Thereafter	50,782
	<u>\$ 66,726</u>
Less amount representing interest	(14,051)
Less unamortized discount	(4,005)
Loans payable, net of discount	<u>\$ 48,670</u>

7. Stockholders' Equity

Common Stock

Each common stockholder generally is entitled to one vote for each share of common stock held, subject to limitations as may be established for certain other classes and series of stock of the Company from time to time. 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 Company's Series A Convertible Preferred Stock ("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 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 (the "Series A Certificate"). The terms of the Series A Preferred Stock are set forth in the Series A Certificate. Each share of the Series A Preferred Stock is convertible into shares of Common Stock following notice that may be given 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.

At-The-Market Issuance Sales Agreement

In November 2020, the Company entered into an at-the-market sales agreement (the "2020 Sales Agreement"), with Cowen and Company, LLC ("Cowen"), pursuant to which the Company could, from time to time, issue and sell shares of its common stock. The 2020 Sales Agreement authorized an aggregate offering of up to \$200 million in shares of our common stock, at the Company's option, through Cowen as its sales agent. Sales of common stock through Cowen could 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. The 2020 Sales Agreement was terminated in June 2021 when the Company filed a new shelf registration statement.

Under the 2020 Sales Agreement the Company sold 1,126,733 shares for an aggregate of approximately \$137.4 million in gross proceeds, with net proceeds to the Company of approximately \$134.8 million after deducting commissions and other transaction costs. Of those shares sold, 1,087,126 were sold in 2021.

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In June 2021, the Company filed with the SEC and had declared effective a new shelf registration statement on Form S-3 and, in connection therewith, entered into a new at-the-market sales agreement (the “2021 Sales Agreement”) with Cowen. The terms of the 2021 Sales Agreement are substantially the same as the 2020 Sales Agreement. The 2021 Sales Agreement authorizes an aggregate offering of up to \$200 million in shares of our common stock, from time to time, at the Company’s option, through Cowen as its sales agent. The 2021 Sales Agreement supersedes the 2020 Sales Agreement. Subject to the terms and conditions of the 2021 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).

As of June 30, 2022, 497,043 shares had been sold under the 2021 Sales Agreement for an aggregate of approximately \$40.8 million in gross proceeds, with net proceeds to the Company of approximately \$39.8 million after deducting commissions and other transaction costs. All of those shares were sold in 2021. As of June 30, 2022, \$159.2 million remained reserved and available for sale under the 2021 Sales Agreement and the Company's related prospectus supplement.

8. Stock-based Compensation

The Company's 2015 Stock Plan, as amended, is our primary equity incentive compensation plan through which equity based grants are awarded. 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 terms of stock options awarded under the 2015 Stock Plan, in general, are determined by the Compensation Committee, provided the exercise price per share generally shall not be set at less than the fair market value of a share of the common stock on the date of grant and the term shall not be greater than ten years from the date the option is granted. As of June 30, 2022, the Company had options outstanding to purchase 2,976,545 shares of its common stock, which includes options outstanding under its prior incentive compensation plan, the 2006 Stock Plan. As of June 30, 2022, 986,322 shares were available for future issuance under the 2015 Stock Plan.

The following table summarizes stock option activity during the six months ended June 30, 2022:

	<u>Shares</u>	<u>Weighted average exercise price</u>
Outstanding at January 1, 2022	2,301,574	\$ 78.90
Options granted	736,395	83.35
Options cancelled	<u>(61,424)</u>	<u>100.82</u>
Outstanding at June 30, 2022	<u>2,976,545</u>	<u>\$ 79.54</u>
Exercisable at June 30, 2022	1,669,315	\$ 69.41

The total cash received by the Company as a result of stock option exercises was \$0 million and \$0.5 million, respectively, for the six months ended June 30, 2022 and 2021. The total intrinsic value of options exercised was \$0 million and \$0.1 million, respectively, for the six months ended June 30, 2022 and 2021. The weighted-average grant date fair values, based on the Black-Scholes option model, of options granted during the six months ended June 30, 2022 and 2021 were \$55.84 and \$78.34, respectively.

Stock-Based Compensation Expense

Stock-based compensation expense during the six months ended June 30, 2022 and 2021 was as follows (in thousands):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Stock-based compensation expense by type of award:				
Stock options	\$ 7,944	\$ 8,179	\$ 15,421	\$ 14,275
Total stock-based compensation expense	<u>\$ 7,944</u>	<u>\$ 8,179</u>	<u>\$ 15,421</u>	<u>\$ 14,275</u>
Effect of stock-based compensation expense by line item:				
Research and development	\$ 3,301	\$ 2,860	\$ 6,488	\$ 5,497
General and administrative	<u>4,643</u>	<u>5,319</u>	<u>8,933</u>	<u>8,778</u>
Total stock-based compensation expense included in net loss	<u>\$ 7,944</u>	<u>\$ 8,179</u>	<u>\$ 15,421</u>	<u>\$ 14,275</u>

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Unrecognized stock-based compensation expense on stock options as of June 30, 2022 was \$70.0 million with a weighted average remaining period of 2.95 years.

9. 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. Remaining milestones under the agreement total \$8 million and are payable upon Madrigal achieving specified objectives related to future regulatory approval in the United States and Europe of resmetirom or a product developed from resmetirom. Furthermore, a tiered single-digit royalty is payable on net sales of resmetirom or a product developed from resmetirom, subject to certain reductions. The Company has not achieved any additional product development or regulatory milestones and had no Licensed Product sales for the six months ended June 30, 2022 and 2021.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes “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, but are subject to factors beyond our control. 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 “accelerate,” “achieve,” “allow,” “anticipates,” “appear,” “be,” “believes,” “can,” “continue,” “could,” “demonstrates,” “design,” “estimates,” “expects,” “expectation,” “forecasts,” “future,” “goal,” “help,” “hopeful,” “inform,” “intends,” “may,” “might,” “on track,” “planned,” “planning,” “plans,” “positions,” “potential,” “powers,” “predicts,” “predictive,” “projects,” “seeks,” “should,” “will,” “will be,” “will achieve,” “would” or similar expressions and the negatives of those terms. In particular, forward-looking statements contained in or incorporated by reference to this Quarterly Report relate to, among other things:

- Anticipated or estimated future results, including the risks and uncertainties associated with our future operating performance and financial position;
- Our possible or assumed future results of operations and expenses, business strategies and plans (including ex-U.S. launch/partnering plans), capital needs and financing plans, including incurrence of indebtedness and compliance with debt covenants under the Loan and Security Agreement with Hercules Capital, Inc., as agent and lender, market trends, market sizing, competitive position, industry environment and potential growth opportunities, among other things;
- Our ability to delay certain research activities and related clinical expenses as necessary;
- Our clinical trials, including the anticipated timing of disclosure, presentations of data from, or outcomes from our trials,
- Research and development activities, and the timing and results associated with the future development of our lead product candidate, resmetirom (formerly known as MGL-3196), including projected market size, sector leadership, and patient treatment estimates for non-alcoholic steatohepatitis (“NASH”) and non-alcoholic fatty liver disease (“NAFLD”) patients;
- The timing and completion of projected future clinical milestone events, including enrollment, additional studies, top-line data and open label projections;
- Plans, objectives and timing for making a Subpart H (Accelerated Approval of New Drugs for Serious or Life-Threatening Illnesses) submission to FDA;
- Projections or objectives for obtaining accelerated or full approval for resmetirom for non-cirrhotic NASH patients and NASH patients with compensated cirrhosis;
- Our primary and key secondary study endpoints for resmetirom, and the potential for achieving such endpoints and projections, including NASH resolution, safety, fibrosis treatment, cardiovascular effects, and lipid treatment with resmetirom;
- Optimal dosing levels for resmetirom and projections regarding potential NASH or NAFLD and potential patient benefits with resmetirom, including future NASH resolution, safety, fibrosis treatment, cardiovascular effects, lipid treatment, and/or biomarker effects with resmetirom;
- The potential efficacy and safety of resmetirom for non-cirrhotic NASH patients and cirrhotic NASH patients;
- The potential for resmetirom to become the best-in-class and/or first-to-market treatment option for patients with NASH and liver fibrosis;
- Anticipated or estimated future results of operations and expenses as we expand our resmetirom clinical development program and our commercial development program;
- Ex-U.S. launch/partnering plans;
- The ability to develop clinical evidence demonstrating the utility of non-invasive tools and techniques to screen and diagnose NASH and/or NAFLD patients;
- The predictive power of liver fat reduction with resmetirom, as measured by non-invasive tests, on NASH resolution and/or fibrosis reduction or improvement, and potential NASH or NAFLD patient risk profile benefits with resmetirom;
- The predictive power of liver fat, liver volume changes, or MAST scores for NASH and/or NAFLD patients;
- The predictive power of NASH resolution and/or liver fibrosis reduction or improvement with resmetirom using non-invasive tests, including the use of ELF, FibroScan, MRE and/or MRI-PDFF;
- The predictive power of non-invasive tests generally, including for purposes of diagnosing NASH, monitoring patient response to resmetirom, or recruiting and conducting a NASH clinical trial;

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- Market demand for and acceptance of our products;
- Research, development and commercialization of new products;
- Obtaining and maintaining regulatory approvals, including, but not limited to, potential regulatory delays or rejections;
- Risks associated with meeting the objectives of our clinical studies, including, but not limited to our ability to achieve enrollment objectives concerning patient numbers (including an adequate safety database), outcomes objectives and/or timing objectives for our studies, any delays or failures in enrollment, the occurrence of adverse safety events, and the risks of successfully conducting trials that are substantially larger, and have patients with different disease states, than our past trials;
- Risks related to the effects of resmetirom's mechanism of action and our ability to accomplish our business and business development objectives and realize the anticipated benefit of any such transactions; and
- Assumptions underlying any of the foregoing.

We caution you that the foregoing list may not include all of the forward-looking statements made in this Quarterly Report. 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: our clinical development of resmetirom; enrollment and trial conclusion uncertainties, generally and in relation to COVID-19 related measures and individual precautionary measures that may be implemented or continued for an uncertain period of time; our potential inability to raise sufficient capital to fund our ongoing operations as currently planned or to obtain financings on terms similar to those we have arranged in the past; our ability to service our indebtedness and otherwise comply with our debt covenants; outcomes or trends from competitive studies; future topline data timing or results; the risks of achieving potential benefits in studies that includes substantially more patients, and patients with different disease states, than our prior studies; limitations associated with early stage or non-placebo controlled study data; the timing and outcomes of clinical studies of resmetirom; and the uncertainties inherent in clinical testing. 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 refer to Madrigal's submissions filed or furnished 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. We specifically discuss these risks and uncertainties in greater detail in the section appearing in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 25, 2022 (the "2021 Form 10-K"), as updated by the risk factors discussed in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 filed with the SEC on May 9, 2022 (the "1Q 2022 Form 10-Q"), as well as in our other filings with the SEC. You should read the 2021 Form 10-K, the 1Q 2022 Form 10-Q, this Quarterly Report, and the other documents that we file or have filed with the SEC, with the understanding that our actual future results may be materially different from the results expressed or implied by these forward-looking statements.

Moreover, we operate in an evolving environment. New risks and uncertainties emerge from time to time and it is not possible for our management to predict all risks and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual future results to be materially different from those expressed or implied by any forward-looking statements.

Except as required by applicable law or the rules of the NASDAQ Stock Market, or NASDAQ, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future. We qualify all of our forward-looking statements by these cautionary statements.

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, 2021 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

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or contribute to such differences include, but are not limited to, those discussed in the “Cautionary Note Regarding Forward-Looking Statements” and “Risk Factors” sections contained in this Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2021. 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.

Our Focus. We are a clinical-stage biopharmaceutical company pursuing novel therapeutics for nonalcoholic steatohepatitis (NASH), a liver disease with high unmet medical need. Our lead product candidate, 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 NASH and a number of disease states with high unmet medical need.

Our Patient Market Opportunity. NASH is a serious inflammatory form of nonalcoholic fatty liver disease, or NAFLD. NAFLD has become the most common liver disease in the United States and other developed countries and is characterized by an accumulation of fat in the liver with no other apparent causes. NASH can progress to cirrhosis or liver failure, require liver transplantation and can also result in liver cancer. Progression of NASH to end stage liver disease will soon surpass all other causes of liver failure requiring liver transplantation. Importantly, beyond these critical conditions, NASH and NAFLD patients additionally suffer heightened cardiovascular risk and, in fact, die more frequently from cardiovascular events than from liver disease. NASH and NAFLD have grown as a consequence of rising worldwide obesity-related disorders. In the United States, NAFLD is estimated to affect approximately 25% of the population, and approximately 25% of those will progress from NAFLD to NASH. Current estimates place NASH prevalence at approximately 20 million people in the United States, or five to six percent of the adult population, with similar prevalence in Europe and Asia. The prevalence of NASH is also increasing in developing regions due to the adoption of a more sedentary lifestyle and a diet consisting of processed foods with high fat and fructose content.

Our Completed Studies. For NASH, we enrolled 125 patients in a Phase 2 clinical trial with resmetirom. 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 also completed a 36-week, open-label extension study in 31 participating NASH patients from our Phase 2 clinical trial, which included 14 patients who received placebo in the main study.

On December 18, 2019 the Company announced it had opened for enrollment MAESTRO-NAFLD-1, a 52-week, non-invasive, multi-center, double-blind, placebo-controlled Phase 3 clinical study of patients with biopsy-confirmed or presumed NASH recruited from sites in the U.S. Key endpoints are safety, including safety biomarkers. Secondary endpoints include LDL cholesterol, lipid biomarkers, MRI-PDFF, NASH and fibrosis biomarkers. Except for serial liver biopsies, the study protocol is similar to the MAESTRO-NASH study (discussed below under “—Our Ongoing and Planned Studies”), with resmetirom doses of 80 mg or 100 mg or placebo. Enrollment objectives for this study were exceeded, with approximately 1,300 patients enrolled overall. The MAESTRO-NAFLD-1 study will help support the adequacy of the safety database at the time of NDA submission for Subpart H approval for treatment of NASH in patients with F2 or F3 fibrosis. In November of 2021, we reported data from the open label non-cirrhotic arm of MAESTRO-NAFLD-1, and in January 2022 we announced that we achieved primary and secondary endpoints for the double-blind portion of MAESTRO-NAFLD-1. Further MAESTRO-NAFLD-1 data were presented at a hepatology medical congress in June of 2022. MAESTRO-NAFLD-1 has completed the double-blind arms and an open-label 100 mg arm. An additional open-label active treatment arm in patients with early (well-compensated) NASH cirrhosis is ongoing.

We also completed a 116 patient Phase 2 clinical trial and announced results in February 2018 for the use of resmetirom in patients with heterozygous familial hypercholesterolemia, or HeFH. In addition to the NASH and HeFH Phase 2 clinical trials, resmetirom has also been studied in multiple completed Phase 1 trials in a total of more than 300 subjects. Resmetirom was well-tolerated in these trials, which included a single ascending dose trial, a multiple ascending dose trial, several drug interaction studies, a multiple dose mass balance study, a single dose relative bioavailability study of tablet formulation versus capsule formulation, a multiple dose drug interaction study, a multiple dose drug interaction with food effect study, and a hepatic impairment study.

Our Ongoing and Planned Studies. On March 28, 2019, the Company announced that it had initiated MAESTRO-NASH, a Phase 3 trial in NASH with its once daily, oral thyroid hormone receptor beta selective agonist, resmetirom. This double-blind, placebo-controlled study is being conducted at more than 230 sites in the United States and the rest of the world. Patients with liver biopsy confirmed NASH with stage 2 or 3 fibrosis are being 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 accelerated approval under subpart H of applicable FDA regulations, which we refer to as subpart H-accelerated approval. Historically: the primary endpoint pertained to 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 (NAFLD Activity Score), and no worsening of fibrosis stage; and two key secondary endpoints pertained to reduction in LDL-cholesterol and a 1-point or more improvement in fibrosis stage on the week

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52 biopsy with no worsening of NASH. In May 2022, the Company announced that it determined to move the 1-point fibrosis endpoint up the hierarchy in our MAESTRO-NASH trial to a primary endpoint along with NASH resolution, as dual primary endpoints. The dual primary endpoint design allows for a successful outcome of the study, which can be filed for subpart H approval, if either the NASH resolution or 1-point fibrosis reduction endpoint is met. 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 currently is up to 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. On June 30, 2021 we announced our achievement of the requisite enrollment of patients to support the planned Subpart H (Accelerated Approval of New Drugs for Serious or Life-Threatening Illnesses) submission to the US Food and Drug Administration (FDA).

On July 13, 2021 we announced first patient dosed in a planned 52-week open label active treatment extension study of MAESTRO-NAFLD-1, named MAESTRO-NAFLD-Open Label Extension (OLE). The OLE study allows patients who complete MAESTRO-NAFLD-1 to consent to 52 weeks of active treatment with resmetirom, making this treatment available to both patients who were assigned to placebo in MAESTRO-NAFLD-1 and patients who were on resmetirom in MAESTRO-NAFLD-1.

Key Developments

Additional Phase 3 MAESTRO-NAFLD-1 Data

In January 2022, we announced that certain primary and key secondary endpoints from the double-blind, placebo-controlled, 969-patient MAESTRO-NAFLD-1 safety study were achieved; resmetirom was well-tolerated and provided significant reductions in liver fat, LDL-c and other atherogenic lipids vs. placebo.

In May 2022 and June 2022, we announced additional data and results from the MAESTRO-NAFLD-1 safety study, as described below. Patients in the resmetirom 80 mg and 100 mg double-blind arms achieved reductions in ALT ($p=0.002$; <0.0001) relative to placebo. ALT increases ≥ 3 times the upper limit of normal occurred in 0.61% in the resmetirom 80 mg group, 0.31% in the 100 mg group and 1.6% of patients in the placebo group.

Treatment-emergent adverse events \geq grade 3 in severity occurred in 7.6% of patients in the resmetirom 80 mg group, 9.0% in the 100 mg group and 9.1% in the placebo group. Withdrawals due to adverse events were 2.4% in the 80 mg group, 2.8% in the 100 mg group and 1.3% in the placebo group. GI-related adverse events (diarrhea, nausea) were increased relative to placebo at the initiation of therapy but not after the first few weeks.

FibroScan CAP (controlled attenuation parameter) scores reflective of hepatic fat were statistically significantly ($p<0.0001$) reduced in resmetirom arms as compared with placebo. FibroScan liver stiffness reductions were similar in the 100 mg open-label and double-blind arms. Responder analyses of FibroScan (vibration-controlled transient elastography (VCTE) reduction and % reduction from baseline comparing resmetirom 100 mg open-label and double-blind arms with placebo showed a significant increase in responders in resmetirom treatment arms (44% averaged across the arms) compared with placebo (25%); magnetic resonance elastography (MRE) responders as measured by kPa reduction were significantly greater in resmetirom-treated groups compared with placebo. Mean reduction in FibroScan VCTE in resmetirom double-blind patients was greater than placebo but not statistically significant.

MAESTRO-NASH Outcomes Study

We plan to initiate a second NASH outcomes study, MAESTRO-NASH Outcomes, a randomized double-blind placebo-controlled study in approximately 700 patients with early NASH cirrhosis to allow for non-invasive monitoring of progression to liver decompensation events. Several biomarker and imaging techniques will also be employed to assess correlates with disease progression. Ongoing open-label studies of more than 180 patients with well-compensated NASH cirrhosis (MAESTRO-NAFLD-1 open-label arm) support the potential of resmetirom in this patient population.

We expect that a positive outcome in MAESTRO-NASH Outcomes could support the full approval of resmetirom for noncirrhotic NASH, and could potentially accelerate the timeline to full approval. In addition, this study has the potential to broaden the label for resmetirom to include NASH patients with compensated cirrhosis.

Loan Facility to support expansion of clinical development program and ramp-up for potential resmetirom launch

We secured a \$250 million Loan Facility ("Loan Facility") with Hercules Capital, Inc ("Hercules") in May 2022. The committed capital strengthens our balance sheet, providing an additional source of funding both to support the expanded clinical program and ramp-up for a potential launch of resmetirom in the U.S.

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Under the terms of the loan agreement, \$50 million was drawn at closing. We may also draw up to an additional \$125 million in two separate tranches upon achievement of resmetirom clinical and regulatory milestones. An additional \$75 million may be drawn by us, subject to the approval of Hercules. The loan facility has a minimum interest rate of 7.45% and adjusts with changes in the prime rate. We will pay interest-only for a period of 30 months, which may be extended to 60 months upon the achievement of certain clinical and regulatory milestones. The loan matures in May 2026 and may be extended an additional year upon the achievement of certain clinical and regulatory milestones. Additional details of the Loan Facility were filed with the Securities and Exchange Commission (“SEC”) on a Current Report on Form 8-K on May 9, 2022 and the Loan and Security Agreement associated with the Loan Facility is included as an exhibit to this Quarterly Report on Form 10-Q.

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 expenses 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 period over period in each of 2022 and 2021 and we expect that our research and development expenses will increase in the future, including as a result of our planned MAESTRO-NASH Outcomes study discussed in –“Key Developments” above. 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 research, results of ongoing and future clinical trials, potential 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.

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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 six months ended June 30, 2022, as compared to those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 filed with the SEC on February 25, 2022.

Results of Operations

Three months Ended June 30, 2022 and 2021

The following table provides comparative unaudited results of operations for the three months ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,		Increase / (Decrease)	
	2022	2021	\$	%
Research and Development Expenses	\$ 58,499	\$ 51,632	6,867	13%
General and Administrative Expenses	11,774	10,110	1,664	16%
Interest (Income)	(323)	(91)	232	255%
Interest Expense	780	—	780	100%
	<u>\$ 70,730</u>	<u>\$ 61,651</u>	<u>9,079</u>	<u>15%</u>

Revenue

We had no revenue for the three months ended June 30, 2022 and 2021.

Research and Development Expenses

Our research and development expenses were \$58.5 million for the three months ended June 30, 2022, compared to \$51.6 million in the corresponding period in 2021. Research and development expenses increased by \$6.9 million in the 2022 period due primarily to the additional activities related to our Phase 3 clinical trials, an increase in head count, and an increase in stock compensation expense. We expect our research and development expenses to increase as we advance our clinical and preclinical development programs for resmetirom.

General and Administrative Expenses

Our general and administrative expenses were \$11.8 million for the three months ended June 30, 2022, compared to \$10.1 million in the corresponding period in 2021. General and administrative expenses increased by \$1.7 million in the 2022 period due primarily to increases in commercial preparation activities, including a corresponding increase in head count, and an increase in stock compensation expense. We believe our general and administrative expenses may increase over time as we advance our clinical and preclinical development programs for resmetirom, prepare for commercialization, and expand our operating activities, which will likely result in an increase in our headcount, consulting services, and related overhead needed to support those efforts.

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Interest Income

Our net interest income was \$0.3 million for the three months ended June 30, 2022, compared to \$0.1 million in the corresponding period in 2021. The increase in interest income was due primarily to higher interest rates in 2022.

Interest Expense

Our interest expense was \$0.8 million for the three months ended June 30, 2022, compared to \$0 million in the corresponding period in 2021. The increase in interest expense was as a result of the Loan Facility we entered into with Hercules during the second quarter of 2022.

Six months Ended June 30, 2022 and 2021

The following table provides comparative unaudited results of operations for the six months ended June 30, 2022 and 2021 (in thousands):

	Six Months Ended June 30,		Increase / (Decrease)	
	2022	2021	\$	%
Research and Development Expenses	\$ 106,428	\$ 97,402	9,026	9%
General and Administrative Expenses	21,432	17,319	4,113	24%
Interest (Income)	(392)	(251)	141	56%
Interest Expense	780	—	780	100%
Other (income)	—	(273)	(273)	(100%)
	\$ 128,248	\$ 114,197	14,051	12%

Revenue

We had no revenue for the six months ended June 30, 2022 and 2021.

Research and Development Expenses

Our research and development expenses were \$106.4 million for the six months ended June 30, 2022, compared to \$97.4 million in the corresponding period in 2021. Research and development expenses increased by \$9.0 million in the 2022 period due primarily to the additional activities related to our Phase 3 clinical trials, an increase in head count, and an increase in stock compensation expense. We expect our research and development expenses to increase as we advance our clinical and preclinical development programs for resmetirom.

General and Administrative Expenses

Our general and administrative expenses were \$21.4 million for the six months ended June 30, 2022, compared to \$17.3 million in the corresponding period in 2021. General and administrative expenses increased by \$4.1 million in the 2022 period due primarily to increases in commercial preparation activities, including a corresponding increase in head count, and an increase in stock compensation expense. We believe our general and administrative expenses may increase over time as we advance our clinical and preclinical development programs for resmetirom, prepare for commercialization, and expand our operating activities, which will likely result in an increase in our headcount, consulting services, and related overhead needed to support those efforts.

Interest Income

Our net interest income was \$0.4 million for the six months ended June 30, 2022, compared to \$0.3 million in the corresponding period in 2021. The increase in interest income was due primarily to higher interest rates in 2022.

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Interest Expense

Our interest expense was \$0.8 million for the six months ended June 30, 2022, compared to \$0 million in the corresponding period in 2021. The increase in interest expense was as a result of the Loan Facility we entered into with Hercules during the second quarter of 2022.

Liquidity and Capital Resources

Since inception, we have incurred significant net losses and we have funded our operations primarily through the issuance of debt, the issuance of shares of our common stock and shares of our preferred stock, and the proceeds from our 2016 merger transaction. 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. We also are required to make repayments of interest and principal on our Loan Facility with Hercules, as described below.

As of June 30, 2022, we had cash, cash equivalents and marketable securities totaling \$211.8 million compared to \$270.3 million as of December 31, 2021, with the decrease attributable to the funding of operations, partially offset by \$50.0 million drawn at closing in May 2022 from the Loan Facility with Hercules. 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. The Company believes that its cash, cash equivalents, marketable securities at June 30, 2022 will be sufficient to fund operations over the next twelve months.

We anticipate continuing to incur operating losses for the foreseeable future. While our rate of cash usage will likely increase in the future, in particular to support our product development and clinical trial efforts, we believe our available cash resources as of June 30, 2022 will be sufficient to fund our operations past one year from the issuance of the financial statements contained herein, and this outlook takes into account circumstances that are currently reasonably foreseeable in connection with the COVID-19 pandemic. For a description of COVID-19 pandemic risks, including risks and uncertainties beyond our control, see Part I, Item 1A, “Risk Factors” of our Annual Report for the year ended December 31, 2021. Our future long-term liquidity requirements will be substantial and will depend on many factors. To meet future long-term liquidity requirements, we will need to raise additional capital to fund our operations through equity or debt financings, collaborations, partnerships or other strategic transactions. 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. This includes, but is not limited to, the use of a \$200 million at-the-market sales agreement entered into in June of 2021, with Cowen and Company, LLC (the “2021 Sales Agreement”), pursuant to which we may, from time to time, issue and sell shares of our common stock up to established limits. We may also draw on additional tranches of debt under our \$250 million Loan Facility with Hercules based upon achievement of resmetirom clinical and regulatory milestones. Additional capital may not be available on terms acceptable to us, or at all. We also have 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. 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 would be harmed. Furthermore, any sales of additional equity securities may result in dilution to our stockholders, and any additional debt financing may include covenants that restrict our business.

Loan Facility

On May 9, 2022, we and our wholly-owned subsidiary, Canticle Pharmaceuticals, Inc., entered into the \$250.0 million Loan Facility with the several banks and other financial institutions or entities party thereto (each, a “Lender” and collectively referred to as the “Lenders”), and Hercules, in its capacity as administrative agent and collateral agent for itself and the Lenders. Under the terms of the Loan Facility, the first \$50.0 million tranche was drawn at closing. The Company may also draw up to an additional \$125.0 million in two separate tranches upon achievement of certain resmetirom clinical and regulatory milestones. A fourth tranche of \$75.0 million may be drawn by the Company, subject to the approval of Hercules.

The Loan Facility has a minimum interest rate of 7.45% and adjusts with changes in the prime rate. The Company will pay interest-only monthly payments of accrued interest under the Loan Facility for a period of 30 months, which period may be extended to 36, 48, and 60 months upon the successive achievement of certain clinical and regulatory milestones and if the Company maintains compliance with applicable financial covenants. The Loan Facility matures in May 2026 and may be extended an additional year upon the achievement of certain clinical and regulatory milestones.

As of June 30, 2022, the outstanding principal under the Loan Facility was \$50.0 million. The interest rate as of June 30, 2022 was 8.70%. Please see “Note 6 – Long Term Debt” to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for information on the Loan Facility.

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Cash Flows

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

	Six Months Ended June 30,	
	2022	2021
Net cash used in operating activities	\$ (107,273)	\$ (90,310)
Net cash provided by (used in) investing activities	75,162	(60,789)
Net cash provided by financing activities	49,114	130,635
Net increase (decrease) in cash and cash equivalents	\$ 17,003	\$ (20,464)

Net cash used in operating activities was \$107.3 million for the six months ended June 30, 2022, compared to \$90.3 million for the corresponding period in 2021. 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 provided by investing activities was \$75.2 million for the six months ended June 30, 2022, compared to \$60.8 million used in for the corresponding period in 2021. Net cash provided by investing activities for the six months ended June 30, 2022 consisted of \$191.9 million from sales and maturities of marketable securities, partially offset by \$116.5 million used in purchases of marketable securities for our investment portfolio. Net cash used in for the corresponding period in 2021 consisted of \$224.1 million of purchases of marketable securities for our investment portfolio, partially offset by \$163.3 million from sales and maturities of marketable securities.

Net cash provided by financing activities was \$49.1 million for the six months ended June 30, 2022, compared to \$130.7 million for the corresponding period in 2021. Financing activities for the six months ended June 30, 2022 consisted of \$50.0 million from issuance of the Loan Facility, partially offset by \$0.9 million of loan issuance costs. Net cash provided for the corresponding period in 2021 consisted of \$130.2 million from net proceeds from issuances of common stock under an At The Market (ATM) sales agreement and \$0.5 million from the exercise of stock options.

Contractual Obligations and Commitments

Except for the future minimum payments due on the Loan Facility with Hercules set forth in “Note 6 – Long Term Debt” to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, no significant changes to contractual obligations and commitments occurred during the six months ended June 30, 2022, as compared to those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 filed with the SEC on February 25, 2022.

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 and loan facility. 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 a 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 current 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.

In May 2022 we entered into a Loan Facility that has an interest rate that is linked to the prime rate. We do not believe that we have any material exposure to interest rate risk given the current principal amount of the loan.

Capital Market Risk

We currently have no product revenues and depend on funds raised through other sources. One source of funding is through future debt or equity offerings. Our ability to raise funds in this manner depends upon, among other things, capital market forces affecting our stock price and the factors described in our “Cautionary Note Regarding Forward-Looking “Statements.” “Liquidity and Capital Resources” and “Risk Factors” disclosures included or referred to in this filing.

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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 detail in the "Risk Factors" sections appearing in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 22, 2022 (the "Annual Report") as updated by Part II, Item 1A in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 filed with the SEC on May 9, 2022.

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.

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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	
4.1	Form of Warrant Agreement, dated May 9, 2022, between Madrigal Pharmaceuticals, Inc. and Hercules Capital, Inc. and affiliates.				X
10.1#	Loan and Security Agreement, dated May 9, 2022, by and among Madrigal Pharmaceuticals, Inc., Canticle Pharmaceuticals, Inc., the several banks and other financial institutions or entities from time to time party thereto and Hercules Capital, Inc.				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
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	Inline XBRL Instance Document.				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.				X
104	Inline XBRL for the cover page of this Quarterly Report on Form 10-Q, included in the Exhibit 101 Inline XBRL Document Set.				

Certain portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) 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: August 4, 2022

By: /s/ Paul A. Friedman, M.D.
Paul A. Friedman, M.D.
Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

Date: August 4, 2022

By: /s/ Alex G. Howarth
Alex G. Howarth
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

THIS WARRANT AND THE SHARES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR, SUBJECT TO SECTION 11 HEREOF, AN OPINION OF COUNSEL (WHICH MAY BE COMPANY COUNSEL) REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAWS.

WARRANT AGREEMENT

To Purchase Shares of the Common Stock of

MADRIGAL PHARMACEUTICALS, INC.

Dated as of May 9, 2022 (the "Effective Date")

WHEREAS, Madrigal Pharmaceuticals, Inc., a Delaware corporation (the "Company"), has entered into a Loan and Security Agreement of even date herewith (as amended and in effect from time to time, the "Loan Agreement") with Hercules Capital, Inc., a Maryland corporation (the "Warrantholder") and the other Lender parties thereto;

WHEREAS, the Company desires to grant to Warrantholder, in consideration for, among other things, the financial accommodations provided for in the Loan Agreement, the right to purchase shares of its Common Stock (as defined below) pursuant to this Warrant Agreement (this "Warrant");

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein, the Company and Warrantholder agree as follows:

SECTION 1. GRANT OF THE RIGHT TO PURCHASE COMMON STOCK.

(a) For value received, the Company hereby grants to the Warrantholder the right, and the Warrantholder is entitled, upon the terms and subject to the conditions hereinafter set forth, to subscribe for and purchase, from the Company, up to such number of fully paid and non-assessable shares of Common Stock determined pursuant to Section 1(b) below, at a purchase price per share equal to the Exercise Price (as defined below). The number of shares of Common Stock and the Exercise Price of such shares is subject to adjustment as provided in Section 8. As used herein, the following terms shall have the following meanings:

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"Acknowledgment of Exercise" has the meaning given to it in Section 3(a).

“Act” means the Securities Act of 1933, as amended, and as the same may be in effect from time to time.

“Charter” means the Company’s Certificate of Incorporation or other constitutional document, as the same may be amended from time to time.

“Claims” has the meaning given to it in Section 12(p).

“Common Stock” means the Company’s common stock, \$0.0001 par value per share, together with any securities of the Company into or for which such common stock may be converted, exchanged or substituted.

“Company” has the meaning given to it in the preamble to this Warrant.

“Effective Date” has the meaning given to it in the preamble to this Warrant.

“Exercise Price” means \$67.12 per share.

“Lender” has the meaning given to it in the Loan Agreement.

“Loan Agreement” has the meaning given to it in the preamble to this Warrant.

“Merger Event” means (a) a merger or consolidation involving the Company in which (i) the Company is not the surviving entity, or (ii) the outstanding shares of the Company’s capital stock are otherwise converted into or exchanged for shares of capital of another entity; or (b) the sale of all or substantially all of the assets of the Company.

“Net Issuance” has the meaning given to it in Section 3(a).

“Notice of Exercise” has the meaning given to it in Section 3(a).

“Public Acquisition” means any Merger Event which is effected such that (i) the holders of Common Stock shall be entitled to receive (A) cash and/or (B) shares of stock that are of a publicly traded company listed on a national market or exchange which may be resold without restrictions (other than restrictions to which Warrantholder may separately agree in writing) after the consummation of such Merger Event, and (ii) the Company’s stockholders own less than 50% of the voting securities of the surviving entity (or, if such Company stockholders beneficially own 50% or more of the outstanding voting power of the surviving or successor entity as of immediately after the consummation of such Merger Event, such surviving or successor entity is not the Company).

“Purchase Price” means, with respect to any exercise of this Warrant, an amount equal to the Exercise Price as of the relevant time multiplied by the number of shares of Common Stock requested to be exercised under this Warrant pursuant to such exercise.

“Rules” has the meaning given to it in Section 12(q).

“Transfer Notice” has the meaning given to it in Section 11.

“Warrant” has the meaning given to it in the preamble to this Warrant.

“Warrant Term” has the meaning given to it in Section 2.

“Warrantholder” has the meaning given to it in the preamble to this Warrant.

(b) Upon the making (if any) of each Advance (as defined in the Loan Agreement) to the Company, this Warrant automatically shall become exercisable (cumulatively and collectively with all shares of Common Stock for which it shall previously have become exercisable in accordance with this Section 1(b)) for such number of shares of Common Stock as shall equal (i)(A) 0.02, multiplied by (B) the amount of such Advance funded by the Warrantholder (if any), divided by (ii) the then-effective Exercise Price, subject to adjustment thereafter from time to time in accordance with the provisions of this Warrant.

SECTION 2. TERM OF THE AGREEMENT.

Except as otherwise provided for herein, the term of this Warrant (the “Warrant Term”) and the right to purchase Common Stock as granted herein shall commence on the Effective Date and shall be exercisable for a period ending upon the earlier to occur of (A) seven (7) years from the Effective Date or (B) the consummation of a Public Acquisition, with the Warrant expiring and terminating in its entirety upon the consummation of either of the foregoing events (the “Termination Date”).

SECTION 3. EXERCISE OF THE PURCHASE RIGHTS.

(a) Exercise. Subject to the terms and conditions hereof, the purchase rights set forth in this Warrant may be exercised, in whole or in part, at any time, or from time to time, during the Warrant Term, by tendering to the Company at its principal office a notice of exercise in the form attached hereto as Exhibit A (the “Notice of Exercise”), duly completed and executed. Promptly upon receipt of the Notice of Exercise and the payment of the Purchase Price in accordance with the terms set forth below, and in no event later than three (3) business days thereafter, the Company shall issue to the Warrantholder a certificate or book entry shares representing the number of shares of Common Stock purchased and shall execute the acknowledgment of exercise in the form attached hereto as Exhibit B (the “Acknowledgment of Exercise”) indicating the number of shares which remain subject to future purchases under this Warrant, if any.

The Purchase Price may be paid at the Warrantholder’s election either (i) by cash or check, or (ii) by surrender of all or a portion of the Warrant for shares of Common Stock to be exercised under this Warrant and, if applicable, an amended Warrant representing the remaining number of shares purchasable hereunder, as determined below (“Net Issuance”). If the Warrantholder elects the Net Issuance method, the Company will issue Common Stock in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

3.

Where:

X the number of shares of Common Stock to be issued to the Warrantholder.

=

Y = the number of shares of Common Stock requested to be exercised under this Warrant.

A = the fair market value of one (1) share of Common Stock at the time of issuance of such shares of Common Stock.

B

= the Exercise Price.

For purposes of the above calculation, the fair market value of one (1) share of Common Stock shall mean:

(i) if the Common Stock is traded on any exchange operated by the NASDAQ Stock Market, LLC or any other national securities exchange, the fair market value of one (1) share of Common Stock shall be deemed to be the volume-weighted average of the closing prices over the thirty (30) consecutive trading days ending two (2) trading days before the day the fair market value of one (1) share of Common Stock is being determined; or

(ii) if at any time the Common Stock is not listed on any securities exchange, the fair market value of one (1) share of Common Stock shall be the highest price per share which the Company could obtain from a willing buyer (not a current employee or director) for shares of Common Stock sold by the Company (based upon the valuation by the Board of Directors of all shares of Common Stock), from authorized but unissued shares, as determined in good faith by its Board of Directors, unless this Warrant is being exercised in connection with a Merger Event, in which case the fair market value of one (1) share of Common Stock shall be deemed to be the per share value received by the holders of the Common Stock on a Common Stock equivalent basis pursuant to such Merger Event.

Upon partial exercise by either cash or Net Issuance and surrender of this Warrant, the Company shall promptly issue an agreement substantially in the form of the Warrant representing the remaining number of shares purchasable hereunder. All other terms and conditions of such agreement shall be identical to those contained herein, including, but not limited to the Effective Date hereof.

(b) Exercise Prior to Expiration. To the extent that the Warrantholder has not exercised its purchase rights under this Warrant to all Common Stock subject hereto, and if the fair market value of one share of the Common Stock is greater than the Exercise Price then in effect, this Warrant shall be deemed automatically exercised in a Net Issuance pursuant to Section 3(a) (even if not surrendered) immediately before the expiration of the Warrant Term. For purposes of such automatic exercise, the fair market value of one share of the Common Stock upon such expiration shall be determined pursuant to Section 3(a). To the extent this Warrant or any portion thereof is deemed automatically exercised pursuant to this Section 3(b), the Company agrees to promptly notify the Warrantholder of the number of shares of Common Stock, if any, the Warrantholder is to receive by reason of such automatic exercise.

(c) Legend. Each certificate or book entry shares for the shares of Common Stock purchased upon exercise of this Warrant shall bear the restrictive legend set forth on the first page of this Warrant. Such legend shall be removed and the Company shall, or shall instruct its transfer agent to, issue a certificate or book entry shares without such legend or any other legend to the holder of such shares (i) if such shares are sold or transferred pursuant to an effective registration statement under the Act covering the resale of such shares by the holder thereof, (ii) if such shares are sold or transferred pursuant to Rule 144 under the Act, (iii) if, upon advice of counsel to the Company, such shares are eligible for resale without any restrictions under Rule 144 under the Act, or (iv) upon the request of such holder if such request is accompanied (at such holder's expense) by a written opinion of counsel reasonably satisfactory to the Company that registration is not required under the Act or any applicable state securities laws for the resale of the shares of Common Stock purchased upon exercise of this Warrant. The removal of such restrictive legend from any certificates or book entry shares representing the shares of Common Stock purchased upon exercise of this Warrant is predicated upon the Company's reliance that the holder of such shares would sell, transfer, assign, pledge, hypothecate or otherwise dispose of such shares pursuant to either the registration requirements of the Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if such shares are sold pursuant to a registration statement, they will be sold in compliance with the plan of distribution set forth therein.

SECTION 4. RESERVATION OF SHARES.

During the Warrant Term, the Company will at all times have authorized and reserved a sufficient number of shares of its Common Stock to provide for the exercise of the rights to purchase Common Stock as provided for herein.

SECTION 5. NO FRACTIONAL SHARES OR SCRIP.

No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant, but in lieu of such fractional shares the Company shall make a cash payment therefor upon the basis of the Exercise Price then in effect.

SECTION 6. NO RIGHTS AS STOCKHOLDER.

This Warrant does not entitle the Warrantholder to any voting rights or other rights as a stockholder of the Company prior to the exercise of this Warrant.

SECTION 7. WARRANTHOLDER REGISTRY.

The Company shall maintain a registry showing the name and address of the registered holder of this Warrant. Warrantholder's initial address, for purposes of such registry, is set forth in Section 12(g). Warrantholder may change such address by giving written notice of such changed address to the Company.

SECTION 8. ADJUSTMENT RIGHTS.

The Exercise Price and the number of shares of Common Stock purchasable hereunder are subject to adjustment, as follows:

(a) Merger Event. If at any time there shall be a Merger Event that is not a Public Acquisition, then, as a part of such Merger Event, lawful provision shall be made so that the Warrantholder shall thereafter be entitled to receive, upon exercise of this Warrant, the kind, amount and value of shares of Common Stock or other securities or property of the successor, surviving or purchasing corporation resulting from, or participating in, such Merger Event that would have been issuable if Warrantholder had exercised this Warrant immediately prior to such Merger Event. In any such case, appropriate adjustment (as determined in good faith by the Company's Board of Directors) shall be made in the application of the provisions of this Warrant with respect to the rights and interests of the Warrantholder after such Merger Event to the end that the provisions of this Warrant (including adjustments of the Exercise Price) shall be applicable in their entirety, and to the greatest extent possible. Without limiting the foregoing, in connection with any Merger Event other than a Public Acquisition, upon the closing thereof, the successor, surviving or purchasing entity shall assume the obligations of this Warrant. The provisions of this Section 8(a) shall similarly apply to successive Merger Events. In connection with a Merger Event that is a Public Acquisition and upon Warrantholder's written election to the Company, the Company shall cause this Warrant to be exchanged for the consideration that Warrantholder would have received if Warrantholder chose to exercise its right to have shares issued pursuant to the Net Issuance provisions of this Warrant prior to the Merger Event without actually exercising such right, acquiring such shares and exchanging such shares for such consideration (such consideration to include both the consideration payable at the closing of such Merger Event and all deferred consideration payable thereafter, if any, including, but not limited to, payments of amounts deposited at such closing into escrow and payments in the nature of earn-outs, milestone payments or other performance-based payments).

(b) Reclassification of Shares. Except as set forth in Section 8(a), if the Company at any time shall, by combination, reclassification, exchange or subdivision of securities or otherwise, change any of the securities as to which purchase rights under this Warrant exist into the same or a different number of securities of any other class or classes, this Warrant shall thereafter represent the right to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities which were subject to the purchase rights under this Warrant immediately prior to such combination, reclassification, exchange, subdivision or other change.

(c) Subdivision or Combination of Shares. If the Company at any time shall combine or subdivide its Common Stock, (i) in the case of a subdivision, the Exercise Price shall be proportionately decreased, and the number of shares of Common Stock issuable upon exercise of this Warrant shall be proportionately increased, or (ii) in the case of a combination, the Exercise Price shall be proportionately increased, and the number of shares of Common Stock issuable upon the exercise of this Warrant shall be proportionately decreased.

(d) Stock Dividends. If the Company at any time while this Warrant is outstanding and unexpired shall:

(i) pay a dividend with respect to the outstanding shares of Common Stock payable in additional shares of Common Stock, then the Exercise Price shall be adjusted, from and after the date of determination of stockholders entitled to receive such dividend or distribution, to that price determined by multiplying the Exercise Price in effect immediately prior to such date of determination by a fraction (A) the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to such dividend or distribution, and (B) the denominator of which shall be the total number of shares of Common Stock outstanding immediately after such dividend or distribution; or

(ii) make any other distribution with respect to the Common Stock, except any distribution specifically provided for in any other clause of this Section 8, then, in each such case, provision shall be made by the Company such that the Warrantholder shall receive upon exercise of this Warrant a proportionate share of any such distribution as though it were the holder of the Common Stock as of the record date fixed for the determination of the stockholders of the Company entitled to receive such distribution.

(e) Notice of Adjustments. If: (i) the Company shall declare any dividend or distribution upon its Common Stock, whether in stock, cash, property or other securities (assuming Lender consents to a dividend involving cash, property or other securities under the Loan Agreement, if the consent of Lender is then required by the terms of the Loan Agreement); (ii) the Company shall offer for subscription pro rata to the holders of Common Stock any additional shares of stock of any class or other rights; (iii) there shall be any Merger Event; or (iv) there shall be any voluntary dissolution, liquidation or winding up of the Company; then, in connection with each such event, the Company shall give the Warrantholder notice thereof at the same time and in the same manner as it notifies holders of shares of Common Stock thereof.

SECTION 9. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE COMPANY.

(a) Reservation of Common Stock. The shares of Common Stock issuable upon exercise of the Warrantholder's rights have been duly and validly reserved and, when issued in accordance with the provisions of this Warrant, will upon issuance be validly issued, fully paid and non-assessable, and will be free of any taxes, liens, charges or encumbrances of any nature whatsoever; provided, that the Common Stock issuable pursuant to this Warrant may be subject to restrictions on transfer under state and/or federal securities laws. The Company has made available to the Warrantholder publicly through the SEC's EDGAR system true, correct and complete copies of its Charter and current bylaws. The issuance of certificates for shares of Common Stock upon exercise of this Warrant shall be made without charge to the Warrantholder for any issuance tax in respect thereof, or other cost incurred by the Company in connection with such exercise and the related issuance of shares of Common Stock; provided, that the Company shall not be required to pay any tax which may be payable in respect of any transfer and the issuance and delivery of any certificate in a name other than that of the Warrantholder.

(b) Due Authority. The execution and delivery by the Company of this Warrant and the performance of all obligations of the Company hereunder, including the issuance to Warrantholder of the right to acquire the shares of Common Stock, have been duly authorized by all necessary corporate action on the part of the Company. This Warrant: (1) does not violate the Company's Charter or current bylaws; (2) does not contravene any law or governmental rule, regulation or order applicable to it; and (3) does not and will not contravene any provision of, or constitute a default under, any indenture, mortgage, contract or other instrument to which it is a party or by which it is bound. This Warrant constitutes a legal, valid and binding agreement of the Company, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws affecting the enforcement of creditors' rights in general, and except that the enforceability of this Warrant is subject to general principles of equity.

(c) Consents and Approvals. No consent or approval of, giving of notice to, registration with, or taking of any other action in respect of any state, federal or other governmental authority or agency is required on the part of the Company with respect to the execution, delivery and performance by the Company of its obligations under this Warrant, except for the filing of notices pursuant to Regulation D under the Act and any filing required by applicable state securities law, which filings will be effective by the time required thereby.

(d) Issued Securities. All issued and outstanding shares of Common Stock have been duly authorized and validly issued and are fully paid and non-assessable. All outstanding shares of Common Stock and any other Company securities were issued in compliance with all applicable federal and state securities laws in all material respects. In addition, as of the date immediately preceding the Effective Date, no stockholder of the Company has preemptive rights to purchase new issuances of the Company's capital stock pursuant to the Charter or the Company's bylaws.

(e) Exempt Transaction. Subject to the accuracy of the Warrantholder's representations in Section 10, the issuance of the Common Stock upon exercise of this Warrant will each constitute a transaction exempt from (i) the registration requirements of Section 5 of the Act, in reliance upon Section 4(a)(2) thereof, and (ii) the qualification requirements of the applicable state securities laws.

(f) Compliance with Rule 144. If the Warrantholder proposes to sell Common Stock issuable upon the exercise of this Warrant in compliance with Rule 144 promulgated by the SEC, then, upon Warrantholder's written request to the Company, the Company shall furnish to the Warrantholder, within five days after receipt of such request, a written statement confirming the Company's compliance with the filing requirements of the SEC as set forth in such Rule, as such Rule may be amended from time to time, and shall, subject to such sale being in compliance with all of the conditions of Rule 144, issue appropriate instructions to its transfer agent to remove the restrictive legend from any certificates evidencing the Common Stock issuable upon the exercise of this Warrant.

(g) Listing of Shares. The Common Stock is listed for trading on the NASDAQ Stock Market LLC as of the Effective Date.

SECTION 10. REPRESENTATIONS AND COVENANTS OF THE WARRANTHOLDER.

This Warrant has been entered into by the Company in reliance upon the following representations and covenants of the Warrantholder:

(a) Investment Purpose. The right to acquire Common Stock or the Common Stock issuable upon exercise of the Warrantholder's rights contained herein has been, and such shares will be, acquired for investment and not with a view to the sale or distribution of any part thereof, and the Warrantholder has no present intention of selling or engaging in any public distribution of the same except pursuant to a registration under the Act or an exemption from the registration requirements of the Act. Warrantholder is not a registered broker-dealer under Section 15 of the 1934 Act or an entity engaged in a business that would require it to be so registered as a broker-dealer.

(b) Private Issue. The Warrantholder understands (i) that the Common Stock issuable upon exercise of this Warrant is not registered under the Act or qualified under applicable state securities laws on the ground that the issuance contemplated by this Warrant will be exempt from the registration and qualifications requirements thereof, and (ii) that the Company's reliance on such exemption is predicated on the representations set forth in this Section 10.

(c) Financial Risk. The Warrantholder has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment, and has the ability to bear the economic risks of its investment.

(d) Risk of No Registration. Without in any way limiting the Company's obligations under this Warrant, the Warrantholder understands that if the Common Stock is not registered with the SEC pursuant to Section 12 of the 1934 Act or the Company is not required to file reports pursuant to Section 13(a) or Section 15(d) of the 1934 Act, or if a registration statement is not effective under the Act covering the resale of the shares of Common Stock issuable upon exercise of the Warrant when it desires to sell (i) the rights to purchase Common Stock pursuant to this Warrant or (ii) the Common Stock issuable upon exercise of the right to purchase, as applicable, it may be required to hold such securities for an indefinite period. The Warrantholder also understands that any sale of (A) its rights hereunder to purchase Common Stock or (B) Common Stock issued or issuable hereunder which might be made by it in reliance upon Rule 144 under the Act may be made only in accordance with the terms and conditions of that Rule.

(e) Accredited Investor. Warrantholder is, and on each date on which it exercises any portion of this Warrant, it will be, an "accredited investor" within the meaning of the Securities and Exchange Rule 501 of Regulation D, as presently in effect.

(f) No Short Sales. Warrantholder has not engaged, and will not engage, in "short sales" of the Common Stock of the Company at any time on or prior to the Effective Date and until the Termination Date. The term "short sale" shall mean any sale of a security which the seller does not own or any sale which is consummated by the delivery of a security borrowed by, or for the account of, the seller.

SECTION 11. TRANSFERS.

Subject to compliance with applicable federal and state securities laws, this Warrant and all rights hereunder are transferable, in whole or in part, without charge to the holder hereof (except for transfer taxes) upon surrender of this Warrant properly endorsed. Each taker and holder of this Warrant, by taking or holding the same, consents and agrees that this Warrant, when endorsed in blank, shall be deemed

negotiable, and that the holder hereof, when this Warrant shall have been so endorsed and its transfer recorded on the Company's books, shall be treated by the Company and all other persons dealing with this Warrant as the absolute owner hereof for any purpose and as the person entitled to exercise the rights represented by this Warrant. The transfer of this Warrant shall be recorded on the books of the Company upon receipt by the Company of a notice of transfer in the form attached hereto as Exhibit C (the "Transfer Notice"), at its principal offices and the payment to the Company of all transfer taxes and other governmental charges imposed on such transfer. Until the Company receives such Transfer Notice, the Company may treat the registered owner hereof as the owner for all purposes. Notwithstanding anything herein or in any legend to the contrary, the Company shall not require an opinion of counsel in connection with any sale, assignment or other transfer by Warrantheader of this Warrant (or any portion hereof or any interest herein) or of any shares of Common Stock issued upon any exercise hereof to an affiliate (as defined in Regulation D) of Warrantheader, provided that such affiliate is an "accredited investor" as defined in Regulation D. Upon a permitted transfer of this Warrant to another entity, references to "Warrantheader" herein shall, unless the context otherwise requires, refer to such permitted transferee.

SECTION 12. MISCELLANEOUS.

(a) Effective Date. The provisions of this Warrant shall be construed and shall be given effect in all respects as if it had been executed and delivered by the Company on the date hereof. This Warrant shall be binding upon any successors or assigns of the Company and the Warrantheader.

(b) Remedies. In the event of any default hereunder, the non-defaulting party may proceed to protect and enforce its rights either by suit in equity and/or by action at law, including but not limited to an action for damages as a result of any such default, and/or an action for specific performance for any default where Warrantheader will not have an adequate remedy at law and where damages will not be readily ascertainable. The Company expressly agrees that it shall not oppose an application by the Warrantheader or any other person entitled to the benefit of this Warrant requiring specific performance of any or all provisions hereof or enjoining the Company from continuing to commit any such breach of this Warrant.

(c) No Impairment of Rights. The Company will not, by amendment of its Charter or through any other means, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be reasonably necessary or appropriate in order to protect the rights of the Warrantheader against impairment. Notwithstanding the foregoing, nothing in this Section 12(c) shall negate or otherwise restrict or impair the Company's right to effect any changes to the rights, preferences, privileges or restrictions associated with the Common Stock so long as such changes do not adversely affect the rights, preferences, privileges or restrictions associated with the shares of Common Stock issuable upon exercise of this Warrant in a manner different from the effect that such changes have generally on the rights, preferences, privileges or restrictions associated with all other shares of Common Stock.

(d) Additional Documents. The Company, upon execution of this Warrant, shall provide the Warrantholder with certified resolutions with respect to the representations and warranties set forth in the first sentence of Section 9(b).

(e) Attorney's Fees. In any litigation, arbitration or court proceeding between the Company and the Warrantholder relating hereto, the prevailing party shall be entitled to reasonable attorneys' fees and expenses and all reasonable costs of proceedings incurred in enforcing this Warrant. For the purposes of this Section 12(e), attorneys' fees shall include without limitation reasonable fees incurred in connection with the following: (i) contempt proceedings; (ii) discovery; (iii) any motion, proceeding or other activity of any kind in connection with an insolvency proceeding; (iv) garnishment, levy, and debtor and third party examinations; and (v) post-judgment motions and proceedings of any kind, including without limitation any activity taken to collect or enforce any judgment.

(f) Severability. In the event any one or more of the provisions of this Warrant shall for any reason be held invalid, illegal or unenforceable, the remaining provisions of this Warrant shall be unimpaired, and the invalid, illegal or unenforceable provision shall be replaced by a mutually acceptable valid, legal and enforceable provision, which comes closest to the intention of the parties underlying the invalid, illegal or unenforceable provision.

(g) Notices. Except as otherwise provided herein, any notice, demand, request, consent, approval, declaration, service of process or other communication that is required, contemplated, or permitted under this Warrant or with respect to the subject matter hereof shall be in writing, and shall be deemed to have been validly served, given, delivered, and received upon the earlier of: (i) the day of transmission by facsimile or hand delivery if transmission or delivery occurs on a business day at or before 5:00 pm in the time zone of the recipient, or, if transmission or delivery occurs on a non-business day or after such time, the first business day thereafter, or the first business day after deposit with an overnight express service or overnight mail delivery service; or (ii) the third calendar day after deposit in the United States mails, with proper first class postage prepaid (provided, that any Advance Request shall not be deemed received until Lender's actual receipt thereof), and shall be addressed to the party to be notified as follows:

If to Warrantholder:

HERCULES CAPITAL, INC.
Legal Department

Attention: Chief Legal Officer
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301
Facsimile: [***]
Telephone: [***]

If to the Company:

MADRIGAL PHARMACEUTICALS, INC.
Attention: Chief Financial Officer (with a copy to General Counsel)
Four Tower Bridge
200 Barr Harbor Drive, Suite 200
West Conshohocken, PA 19428
Telephone: [***]

or to such other address as each party may designate for itself by like notice.

(h) Entire Agreement; Amendments. This Warrant constitutes the entire agreement and understanding of the parties hereto in respect of the subject matter hereof, and supersede and replace in their entirety any prior proposals, term sheets, letters, negotiations or other documents or agreements, whether written or oral, with respect to the subject matter hereof (including Lender's proposal letter dated March 29, 2022). None of the terms of this Warrant may be amended except by an instrument executed by each of the parties hereto.

(i) Headings. The various headings in this Warrant are inserted for convenience only and shall not affect the meaning or interpretation of this Warrant or any provisions hereof.

(j) Advice of Counsel. Each of the parties represents to each other party hereto that it has discussed (or had an opportunity to discuss) with its counsel this Warrant and, specifically, the provisions of Sections 12(n), 12(o) and 12(p).

(k) No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Warrant. In the event an ambiguity or question of intent or interpretation arises, this Warrant shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Warrant.

(l) No Waiver. Except for the requirement that this Warrant be exercised (or be deemed exercised), if at all, during the Warrant Term, no omission or delay by either party hereto at any time to enforce any right or remedy reserved to it, or to require performance of any of the terms, covenants or provisions hereof by the other party hereto at any time designated, shall be a waiver of any such right or remedy to which such party is entitled, nor shall it in any way affect the right of such party to enforce such provisions thereafter.

(m) Survival. All agreements, representations and warranties contained in this Warrant or in any document delivered pursuant hereto shall be for the benefit of Warrantholder and the Company, as the case may be, and shall survive the execution and delivery of this Warrant and the expiration or other termination of this Warrant.

(n) Governing Law. This Warrant has been negotiated and delivered to Warrantholder in the State of California, and shall have been accepted by Warrantholder in the State of California. Delivery of Common Stock to Warrantholder by the Company under this Warrant is due in the State of California. This Warrant shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, excluding conflict of laws principles that would cause the application of laws of any other jurisdiction.

(o) Consent to Jurisdiction and Venue. All judicial proceedings arising in or under or related to this Warrant may be brought in any state or federal court of competent jurisdiction located in the State of California. By execution and delivery of this Warrant, each party hereto generally and unconditionally: (a) consents to personal jurisdiction in Santa Clara County, State of California; (b) waives any objection as to jurisdiction or venue in Santa Clara County, State of California; (c) agrees not to assert any defense based on lack of jurisdiction or venue in the aforesaid courts; and (d) irrevocably agrees to be bound by any judgment rendered thereby in connection with this Warrant. Service of process on any party hereto in any action arising out of or relating to this Warrant shall be effective if given in accordance with the requirements for notice set forth in Section 12(g), and shall be deemed effective and received as set forth in Section 12(g). Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of either party to bring proceedings in the courts of any other jurisdiction.

(p) Mutual Waiver of Jury Trial. Because disputes arising in connection with complex financial transactions are most quickly and economically resolved by an experienced and expert person and the parties wish applicable state and federal laws to apply (rather than arbitration rules), the parties desire that their disputes arising out of this Warrant be resolved by a judge applying such applicable laws. EACH OF THE COMPANY AND WARRANTHOLDER SPECIFICALLY WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, CROSS-CLAIM, COUNTERCLAIM, THIRD PARTY CLAIM OR ANY OTHER CLAIM (COLLECTIVELY, "CLAIMS") ASSERTED BY THE COMPANY AGAINST WARRANTHOLDER OR ITS ASSIGNEE OR BY WARRANTHOLDER OR ITS ASSIGNEE AGAINST THE COMPANY RELATING TO THIS WARRANT. This waiver extends to all such Claims arising out of this Warrant, including Claims that involve persons other than the Company and Warrantholder, and any Claims for damages, breach of contract, specific performance, or any equitable or legal relief of any kind, arising out of this Warrant.

(q) Arbitration. If the Mutual Waiver of Jury Trial set forth in Section 12(p) is ineffective or unenforceable, the parties agree that all Claims shall be submitted to binding arbitration in accordance with the commercial arbitration rules of JAMS (the "Rules"), such arbitration to occur before one arbitrator, which arbitrator shall be a retired California state judge or a retired Federal court judge. Such proceeding shall be conducted in Santa Clara County, State of California, with California rules of evidence and discovery applicable to such arbitration. The decision of the arbitrator shall be binding on the parties, and shall be final and non-appealable to the maximum extent permitted by law. Any judgment rendered by the arbitrator may be entered in a court of competent jurisdiction and enforced by the prevailing party as a final judgment of such court.

(r) Pre-arbitration Relief. In the event Claims are to be resolved by arbitration, either party may seek from a court of competent jurisdiction identified in Section 12(o), any prejudgment order, writ or other relief and have such prejudgment order, writ or other relief enforced to the fullest extent permitted by law notwithstanding that all Claims are otherwise subject to resolution by binding arbitration

(s) Counterparts; Facsimile/Electronic Signatures. This Warrant and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so delivered shall be deemed an original, but all of which counterparts shall constitute but one and the same instrument.. This Warrant may be executed by one or more of the parties hereto in any number of separate counterparts, all of which together shall constitute one and the same instrument. The Company, Warrantholder and any other party hereto may execute this Warrant by electronic means and each party hereto recognizes and accepts the use of electronic signatures and the keeping of records in electronic form by any other party hereto in connection with the execution and storage hereof. To the extent that this Warrant or any agreement subject to the terms hereof or any amendment hereto is executed, recorded or delivered electronically, it shall be binding to the same extent as though it had been executed on paper with an original ink signature, as provided under applicable law, including, without limitation, any state law based on the Uniform Electronic Transactions Act. The fact that this Warrant is executed, signed, stored or delivered electronically shall not prevent the transfer by any Holder of this Warrant pursuant to Section 11 or the enforcement of the terms hereof.

(t) Specific Performance. The parties hereto hereby declare that it is impossible to measure in money the damages which will accrue to a party hereto by reason of the other party's failure to perform any of the obligations under this Warrant and agree that the terms of this Warrant shall be specifically enforceable by either party hereto. If a party hereto institutes any action or proceeding to specifically enforce the provisions hereof, any person against whom such action or proceeding is brought hereby waives the claim or defense therein that such party has an adequate remedy at law, and such person shall not offer in any such action or proceeding the claim or defense that such remedy at law exists.

(u) Lost, Stolen, Mutilated or Destroyed Warrant. If this Warrant is lost, stolen, mutilated or destroyed, the Company may, upon receiving an agreement from the Holder as to indemnity or otherwise as it may reasonably require (which shall, in the case of a mutilated Warrant, include the surrender thereof), issue a new Warrant of like denomination and tenor as this Warrant so lost, stolen, mutilated or destroyed.

[Remainder of page left blank intentionally; signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Warrant Agreement to be executed by their respective officers thereunto duly authorized as of the Effective Date.

COMPANY: MADRIGAL PHARMACEUTICALS, INC.

By: /s/ Brian J. Lynch

Name: Brian J. Lynch

Title: SVP and General Counsel

WARRANTHOLDER: HERCULES CAPITAL, INC.

By: /s/ Seth Meyer

Name: Seth Meyer

Title: CFO

EXHIBIT A

To: _____]

- (1) The undersigned Warrantholder hereby elects to purchase [_____] shares of the Common Stock of [_____] pursuant to the terms of the Warrant Agreement dated the 9th day of May, 2022 (the "Agreement") between Madrigal Pharmaceuticals, Inc., a Delaware corporation, and the Warrantholder, and [CASH PAYMENT: tenders herewith payment of the Purchase Price in full, together with all applicable transfer taxes, if any.] [NET ISSUANCE: elects pursuant to Section 3(a) of the Agreement to effect a Net Issuance.]
- (2) Please issue a certificate or certificates representing said shares of Common Stock in the name of the undersigned or in such other name as is specified below.

(Name)

(Address)

WARRANTHOLDER:

HERCULES CAPITAL, INC.
a Maryland corporation

By: _____
Name:
Title:

EXHIBIT B

ACKNOWLEDGMENT OF EXERCISE

The undersigned, as representative of Madrigal Pharmaceuticals, Inc. (the "Company"), hereby acknowledges receipt of the "Notice of Exercise" from Hercules Capital, Inc. (the "Warrantholder"), to purchase [] shares of the Common Stock of the Company, pursuant to the terms of that certain Warrant Agreement, dated as of May 9, 2022 between the Company and the Warrantholder (the "Warrant"), and further acknowledges that [] shares remain subject to purchase under the terms of the Warrant.

COMPANY:

MADRIGAL PHARMACEUTICALS, INC.

By: _____
Title: _____
Date: _____

EXHIBIT C

TRANSFER NOTICE

FOR VALUE RECEIVED, that certain Warrant Agreement, dated as of May 9, 2022, between Madrigal Pharmaceuticals, Inc., as the Company, and Hercules Capital, Inc., as the Warrantholder (the "Warrant"), and all rights evidenced thereby are hereby transferred and assigned to

(Please Print)

whose address is _____

Dated: _____

Holder's
Signature: _____

Holder's
Address: _____

Signature
Guaranteed: _____

NOTE: The signature to this Transfer Notice must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatever. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

NY:2361556

CERTAIN CONFIDENTIAL INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND REPLACED WITH “[*]” BECAUSE IT IS NOT MATERIAL AND WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED.**

EXECUTION VERSION

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT is made and dated as of May 9, 2022 and is entered into by and among MADRIGAL PHARMACEUTICALS, INC., a Delaware corporation (“Madrigal”), CANTICLE PHARMACEUTICALS, INC., a Delaware corporation (“Canticle”), and each of their respective Subsidiaries from time to time party hereto as borrower (individually or collectively, as the context may require, “Borrower”), the several banks and other financial institutions or entities from time to time parties to this Agreement (each, a “Lender” and collectively referred to as the “Lenders”) and HERCULES CAPITAL, INC., a Maryland corporation, in its capacity as administrative agent and collateral agent for itself and the Lenders (in such capacity, “Agent”).

RECITALS

A. Borrower has requested the Lenders make available to Borrower one or more Advances in an aggregate principal amount of up to Two Hundred and Fifty Million Dollars (\$250,000,000) (the “Term Loans”); and

B. The Lenders are willing to make such Advances on the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, Borrower, Agent and the Lenders agree as follows:

SECTION 1. DEFINITIONS AND RULES OF CONSTRUCTION

1.1 Unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“Account Control Agreement(s)” means any agreement entered into by and among Agent, Borrower and a third party bank or other institution (including a Securities Intermediary) in which Borrower maintains a Deposit Account or an account holding Investment Property and which perfects Agent’s first priority security interest in the subject account or accounts.

“ACH Authorization” means the ACH Debit Authorization Agreement in substantially the form of Exhibit H, which account numbers shall be redacted for security purposes if and when filed publicly by Borrower.

“Acquisition” means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of any business, line of business or division or other unit of operation of a Person, (b) the acquisition of fifty percent (50%) or more of the Equity Interests of any Person, whether or not involving a merger, consolidation or similar transaction with such other Person, or otherwise causing any Person to become a Subsidiary of Borrower, or (c) the acquisition of, including the acquisition of the right to use, develop or sell (in each case, including through licensing), any product, product line or Intellectual Property of or from any other Person.

“Acquisition Deferred Payments” means, with respect to an Acquisition, any “earnouts,” holdbacks, performance based-milestones, royalties, purchase price adjustments, profit sharing arrangements, indemnifications, noncompetition agreements, incentive payments, and other similar payment obligations, and other contingent obligations and agreements consisting of the adjustment of purchase price or similar adjustments.

“Advance” means a Term Loan Advance.

“Advance Date” means the funding date of any Advance.

“Advance Request” means a request for an Advance submitted by Borrower to Agent in substantially the form of Exhibit A, which account numbers shall be redacted for security purposes if and when filed publicly by Borrower.

“Affiliate” means (a) any Person that directly or indirectly controls, is controlled by, or is under common control with the Person in question, (b) any Person directly or indirectly owning, controlling or holding with power to vote thirty percent (30%) or more of the outstanding voting securities of another Person, or (c) any Person thirty percent (30%) or more of whose outstanding voting securities are directly or indirectly owned, controlled or held by another Person with power to vote such securities. As used in the defined term “Affiliate,” the term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

“Agreement” means this Loan and Security Agreement, as amended, restated, amended and restated, supplemented or otherwise modified from time to time.

“Amortization Date” means initially, November 1, 2024; provided however, that (a) if the Clinical Milestone is achieved prior to November 1, 2024, such date shall be extended to May 1, 2025, (b) if the Approval Milestone is achieved prior to May 1, 2025, such date shall be extended to May 1, 2026, and (c) if (i) the Revenue Milestone is achieved prior to May 1, 2026 and (ii) Borrower remains in compliance with Section 7.20, such date shall be extended to the earlier of (A) May 3, 2027 and (B) the first day of the fiscal month immediately following the occurrence of any default under Section 7.20 (but in no event earlier than forty-eight (48) months).

“Anti-Corruption Laws” means all laws, rules, and regulations of any jurisdiction applicable to Borrower or any of its respective Affiliates from time to time concerning or relating to bribery or corruption, including without limitation the United States Foreign Corrupt Practices Act of 1977, as amended, the UK Bribery Act 2010 and other similar legislation in any other jurisdictions.

“Anti-Terrorism Laws” means any laws, rules, regulations or orders relating to terrorism or money laundering, including without limitation Executive Order No. 13224 (effective September 24, 2001), the USA PATRIOT Act, the laws comprising or implementing the Bank Secrecy Act, and the laws administered by OFAC.

“Approval Milestone” means the satisfaction of each of the following events: (a) no default or Event of Default shall have occurred and be continuing, (b) the Clinical Milestone has been achieved, and (c) Borrower shall have delivered evidence satisfactory to Agent (as determined by Agent in its reasonable discretion) that the FDA shall have approved the sale and marketing of one dose of Resmetirom in the United States of America (including the grant of accelerated approval under 21 U.S.C. § 356) for the treatment of patients with NASH with a label claim that is generally consistent with what Borrower sought in its New Drug Application.

“Blocked Person” means any Person: (a) listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224, (b) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224, (c) a Person with which any Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law, (d) a Person that commits, threatens or conspires to commit or supports “terrorism” as defined in Executive Order No. 13224, or (e) a Person that is named a “specially designated national” or “blocked person” on the most current list published by OFAC or other similar list.

“Board” means, with respect to any Person that is a corporation, its board of directors; with respect to any Person that is a limited liability company, its board of managers, board of members or similar governing body; with respect to any other Person that is a legal entity, such Person’s governing body in accordance with its Organizational Documents; and with respect to each of the foregoing, any committee or subcommittee thereof.

“Books” means Borrower’s or any of its Subsidiaries’ books and records including ledgers, federal, state, local and foreign tax returns, records regarding Borrower’s or its Subsidiaries’ assets or liabilities, the Collateral, business operations or financial condition, and all computer programs or storage or any equipment containing such information.

“Business Day” means any day other than Saturday, Sunday and any other day on which banking institutions in the State of California are closed for business.

“Cash” means all cash, Cash Equivalents and liquid funds.

“Cash Equivalents” means investments listed under clause (ii) of the definition of “Permitted Investments”.

“Change in Control” means any reorganization, recapitalization, consolidation or merger (or similar transaction or series of related transactions) of Borrower, sale or exchange of outstanding shares (or similar transaction or series of related transactions) of Borrower in which the holders of Borrower’s outstanding shares immediately before consummation of such transaction or series of related transactions do not, immediately after consummation of such transaction or series of related transactions, retain shares representing more than fifty percent (50%) of the voting power of the surviving entity of such transaction or series of related transactions (or the parent of such surviving entity if such surviving entity is wholly owned by such parent), in each case without regard to whether Borrower is the surviving entity.

“Charter” means, with respect to any Person, such Person’s incorporation, formation or equivalent documents, as in effect from time to time.

“Clinical Milestone” means the satisfaction of each of the following events: (a) no default or Event of Default shall have occurred and be continuing and (b) Borrower shall have announced and delivered supporting documentation satisfactory to Agent (as determined by Agent in its reasonable discretion) that Borrower has achieved a protocol specified primary endpoint for at least one dose from the Phase 3 MAESTRO-NASH (NCT03900429) trial, which taken together with the safety data from the Phase 3 MAESTRO-NAFLD-1 (NCT04197479) trial and the overall safety profile from both such trials, support the filing of a New Drug Application as the next immediate step in development (as determined by Borrower’s executive team and Board, subject to the Lenders’ reasonable verification).

“Closing Date” means the date of this Agreement.

“Code” means the U.S. Internal Revenue Code of 1986, as amended.

“Common Stock” means the Common Stock, \$0.0001 par value per share, of Madrigal.

“Company IP” means any and all of the following, as they exist in and throughout the United States of America: (a) Current Company IP; (b) improvements, continuations, continuations-in-part, divisions, provisionals or any substitute applications, any Patent issued with respect to any of the Current Company IP, any Patent right claiming the composition of matter of, or the method of making or using, the Products in the United States of America, any reissue, reexamination, renewal or Patent term extension or adjustment (including any supplementary protection certificate) of any such Patent, and any confirmation Patent or registration Patent or patent of addition based on any such Patent; (c) trade secrets or trade secret rights, including any rights to unpatented inventions, know-how, show-how, operating manuals, confidential or proprietary information, research in progress, algorithms, data, databases, data collections, designs, processes, procedures, methods, protocols, materials, formulae, drawings, schematics, blueprints, flow charts, models, strategies, prototypes, techniques, and the results of experimentation and testing, including samples, in each case, as specifically related to any research, development, manufacture, production, use, commercialization, marketing, importing, storage, transport, offer for sale, distribution or sale of the Products; (d) any and all IP Ancillary Rights specifically relating to any of the foregoing; and (e) regulatory filings, submissions and approvals related to any research, development, manufacture, production, use, commercialization, marketing, importing, storage, transport, offer for sale, distribution or sale of the Products and all data provided in any of the foregoing.

“Compliance Certificate” means a certificate in the form attached hereto as Exhibit E.

“Contingent Obligation” means, as applied to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to (i) any Indebtedness, lease, dividend, letter of credit or other obligation of another, including any such obligation directly or indirectly guaranteed, endorsed, co-made or discounted or sold with recourse by that Person, or in respect of which that Person is otherwise directly or indirectly liable; (ii) any obligations with respect to undrawn letters of credit, corporate credit cards or merchant services issued for the account of that Person; and (iii) all obligations arising under any interest rate, currency or commodity swap agreement, interest rate cap agreement, interest rate collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; provided, however, that the term “Contingent Obligation” shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determined amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the amount that would be required to be shown as a liability on a balance sheet prepared in accordance with GAAP; provided, however, that such amount shall not in any event exceed the maximum amount of the obligations under the guarantee or other support arrangement.

“Copyright License” means any written agreement granting any right to use any Copyright or Copyright registration, now owned or hereafter acquired by any Loan Party or in which any Loan Party now holds or hereafter acquires any interest.

“Copyrights” means all copyrights, whether registered or unregistered, held pursuant to the laws of the United States of America, any State thereof, or of any other country.

“Deposit Accounts” means any “deposit accounts,” as such term is defined in the UCC, and includes any checking account, savings account, or certificate of deposit.

“Domestic Subsidiary” means any Subsidiary organized under the laws of the United States of America, any State thereof, the District of Columbia, or any other jurisdiction within the United States of America.

“Due Diligence Fee” means Sixty Five Thousand Dollars (\$65,000), which fee has been paid to the Lenders prior to the Closing Date, and shall be deemed fully earned on such date regardless of the early termination of this Agreement.

“Equity Interests” means, with respect to any Person, the capital stock, partnership or limited liability company interest, or other equity securities or equity ownership interests of such Person but excluding, for the avoidance of doubt, securities offered in connection with any Permitted Convertible Debt and any other Indebtedness that is convertible into or otherwise exchangeable for, Equity Interests.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

“Excluded Account” means (a) any Deposit Account that is used solely as a payroll or payables account, the funds in which consist solely of funds held in trust for any director, officer, employee or former employee of such Borrower or Subsidiary for (i) salary accruals or (ii) amounts held under any employee benefit, deferred compensation or incentive compensation plan maintained by such Borrower or Subsidiary or funds representing earned or deferred compensation for the directors, employees and former employees of such Borrower or Subsidiary to be paid in the ordinary course of business; provided that the aggregate amount across any payroll accounts under clause (i) above shall not exceed the amount needed for the then-next two (2) payroll cycles or in accordance with IRS requirements, (b) escrow accounts, Deposit Accounts and trust accounts, in each case used exclusively to maintain cash collateral pursuant to Section 7.5 and the definition of “Permitted Liens”, (c) any Deposit Account held by a Foreign Subsidiary or an Immaterial Subsidiary, (d) any Deposit Account or account holding Investment Property with a balance of no more than \$250,000, or \$750,000 in the aggregate for all such accounts and (e) any other Deposit Account approved by the Agent in writing.

“FDA” means the U.S. Food and Drug Administration or any successor thereto.

“FDA Good Manufacturing Practices” means the applicable requirements, standards and expectations for drug manufacturing activities set forth in the Food, Drug and Cosmetic Act (“FDCA”) and its implementing regulations (for example, for pharmaceuticals being used in Phase 2 or 3 studies, and commercial pharmaceuticals, 21 C.F.R. Parts 210 and 211) and relevant FDA guidance documents (for example, for pharmaceuticals in Phase 1, FDA guidance entitled “CGMP for Phase 1 Investigational Drugs”).

“FDA Laws” means all applicable statutes, rules, regulations, standards, guidelines, policies and orders and Requirements of Law administered, implemented, enforced or issued by FDA or any comparable governmental authority.

“Federal Health Care Program Laws” means collectively, federal Medicare or federal or state Medicaid statutes, Sections 1128, 1128A, 1128B, 1128C or 1877 of the Social Security Act (42 U.S.C. §§ 1320a-7, 1320a-7a, 1320a-7b, 1320a-7c, 1320a-7h and 1395nn), the federal TRICARE statute (10 U.S.C. § 1071 et seq.), the civil False Claims Act of 1863 (31 U.S.C. § 3729 et seq.), criminal false claims statutes (e.g., 18 U.S.C. §§ 287 and 1001), the Program Fraud Civil Remedies Act of 1986 (31 U.S.C. § 3801 et seq.), HIPAA, or related regulations or other Requirements of Law that directly or indirectly govern the health care industry, programs of governmental authorities related to healthcare, health care professionals or other health care participants, or relationships among health care providers, suppliers, distributors, manufacturers and patients, and the pricing, sale and reimbursement of health care items or services including the collection and reporting requirements, and the processing of any applicable rebate, chargeback or adjustment, under applicable rules and regulations relating to the Medicaid Drug Rebate Program (42 U.S.C. § 1396r-8) and any state supplemental rebate program, Medicare average sales price reporting (42 U.S.C. § 1395w-3a), the Public Health Service Act (42 U.S.C. § 256b), the VA Federal Supply Schedule (38 U.S.C. § 8126) or under any state pharmaceutical assistance program or U.S. Department of Veterans Affairs agreement, and any successor government programs.

“Foreign Subsidiary” means a Subsidiary other than a Domestic Subsidiary and any Domestic Subsidiary if it has no material assets other than the Equity Interests of one or more Foreign Subsidiaries.

“GAAP” means generally accepted accounting principles in the United States of America, as in effect from time to time.

“Guarantor” means any subsidiary of Borrower that enters into a Guaranty.

“Guaranty” means a guaranty with respect to the Secured Obligations, in form and substance satisfactory to Agent.

“Immaterial Subsidiary” means on any date, any Subsidiary of Borrower acquired or formed after the Closing Date that has less than 2.5% of the consolidated assets of Borrower and its Subsidiaries (or 5% of the consolidated assets of Borrowers and its Subsidiaries for all such Immaterial Subsidiaries) for the most recently ended period for which financial statements have been delivered (or required to have been delivered) pursuant to Sections 7.1(a), (b) or (c) prior to such date and designated as an “Immaterial Subsidiary” by Borrower in a written notice delivered to Agent (including any Compliance Certificate), provided that no Subsidiary of Borrower shall qualify as an “Immaterial Subsidiary” if such Subsidiary (a) holds material Intellectual Property, (b) is party to the Roche Agreement or (c) is party to any other Material Agreement.

“Indebtedness” means indebtedness of any kind, including (a) all indebtedness for borrowed money or the deferred purchase price of property or services (excluding trade credit and incentive or deferred compensation authorized or entered into in the ordinary course of business), including reimbursement and other obligations with respect to surety bonds and letters of credit, (b) all obligations evidenced by notes, bonds, debentures or similar instruments, (c) all capital lease obligations, (d) equity securities of any Person subject to repurchase or redemption other than at the sole option of such Person, (e) “earnouts”, purchase price adjustments, profit sharing arrangements, deferred purchase money amounts and similar payment obligations or continuing obligations of any nature arising out of purchase and sale contracts, in each case, only to the extent required to be reflected as a liability on a balance sheet prepared in accordance with GAAP, (f) [reserved], (g) non-contingent obligations to reimburse any bank or Person in respect of amounts paid under a letter of credit, banker’s acceptance or similar instrument, and (h) all Contingent Obligations. For the avoidance of doubt, any Permitted Equity Derivatives that do not give rise to any cash payment obligations shall not constitute Indebtedness.

“Initial Facility Charge” means Three Hundred and Twenty-Five Thousand Dollars (\$325,000), which is payable to the Lenders in accordance with Section 4.1(i).

“Insolvency Proceeding” means any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other similar relief.

“Intellectual Property” means all of each Loan Party’s Copyrights; Trademarks; Patents; Licenses; trade secrets and inventions; mask works; each Loan Party’s applications therefor and reissues, extensions, or renewals thereof; and each Loan Party’s goodwill associated with any of the foregoing, together with each Loan Party’s rights to sue for past, present and future infringement of Intellectual Property and the goodwill associated therewith.

“Investment” means (a) any beneficial ownership (including stock, partnership interests, limited liability company interests, or other securities) of or in any Person, (b) any loan, advance or capital contribution to any Person or (c) any Acquisition.

“IP Ancillary Rights” means, with respect to any Copyright, Trademark, Patent, software, trade secrets or trade secret rights, including any rights to unpatented inventions, know-how, show-how and operating manuals, all income, royalties, proceeds and liabilities at any time due or payable or asserted under or with respect to any of the foregoing or otherwise with respect thereto, including all rights to sue or recover at law or in equity for any past, present or future infringement, misappropriation, dilution, violation or other impairment thereof, and, in each case, all rights to obtain any other intellectual property right ancillary to any Copyright, Trademark, Patent, software, trade secrets or trade secret rights.

“IRS” means the U.S. Internal Revenue Service.

“Joinder Agreements” means for each Subsidiary, a completed and executed Joinder Agreement in substantially the form attached hereto as Exhibit F.

“License” means any Copyright License, Patent License, Trademark License or other Intellectual Property license of rights or interests.

“Lien” means any mortgage, deed of trust, pledge, hypothecation, assignment for security, security interest, encumbrance, levy, lien or charge of any kind, whether voluntarily incurred or arising by operation of law or otherwise, against any property, any conditional sale or other title retention agreement, and any lease in the nature of a security interest.

“Loan” means the Advances made under this Agreement.

“Loan Documents” means this Agreement, the promissory notes (if any), the ACH Authorization, the Account Control Agreements, the Joinder Agreements, all UCC Financing Statements, the Warrants, any Pledge Agreement, any Guaranty, and any other documents executed in connection with the Secured Obligations or the transactions contemplated hereby, as the same may from time to time be amended, modified, supplemented or restated.

“Loan Party” means Borrower and/or any Guarantor, as the context may require.

“Market Capitalization” means, as of any date of determination, the product of (a) the number of outstanding shares of Common Stock publicly disclosed in the most recent filing of Madrigal with the Securities and Exchange Commission as outstanding as of such date of determination and (b) the most recent closing price of Madrigal’s Common Stock (as quoted on Bloomberg L.P.’s page or any successor page thereto of Bloomberg L.P. or if such page is not available, any other commercially available source).

“Material Adverse Effect” means a material adverse effect upon: (i) the business, operations, properties, assets or financial condition of Borrower and its Subsidiaries taken as a whole; or (ii) the ability of Borrower to perform or pay the Secured Obligations in accordance with the terms of the Loan Documents, or the ability of Agent or the Lenders to enforce any of its rights or remedies with respect to the Secured Obligations; or (iii) the Collateral or Agent’s Liens on the Collateral or the priority of such Liens.

“Material Agreement” means (i) the Roche Agreement and (ii) any other license, agreement or other contractual arrangement, the termination of which could be reasonably expected to result in a Material Adverse Effect, individually or in the aggregate.

“Material Indebtedness” means any indebtedness having an aggregate principal amount of [***] or more.

“Material Regulatory Liabilities” means (a)(i) any liabilities arising from the violation of Public Health Laws, Federal Health Care Program Laws, and other applicable comparable Requirements of Law, or from any non-routing terms, conditions of or requirements imposed relative to any Registrations (including costs of actions required under applicable Requirements of Law, including FDA Laws and Federal Health Care Program Laws, or necessary to remedy any violation of any terms or conditions applicable to any Registrations), including, but not limited to, withdrawal of approval, recall, revocation, suspension, import refusal and seizure of any Product, and (ii) any loss of recurring annual revenues as a result of any loss, suspension or limitation of any Registrations, which, in the case of each of clauses (i) and (ii), could reasonably be expected to result in a Material Adverse Effect.

“Maximum Term Loan Amount” means Two Hundred and Fifty Million Dollars (\$250,000,000).

“NASH” means Non-Alcoholic SteatoHepatitis.

“New Drug Application” means a new drug application submitted by Borrower to the FDA for authorization to market a product in the United States of America, as defined in the applicable laws and regulations.

“NIH” means the National Institutes of Health.

“Non-Disclosure Agreement” means that certain Confidential Disclosure Agreement by and between Borrower and Agent dated as of January 5, 2022.

“OFAC” means the U.S. Department of Treasury Office of Foreign Assets Control.

“OFAC Lists” means, collectively, the Specially Designated Nationals and Blocked Persons List maintained by OFAC pursuant to Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) and/or any other list of terrorists or other restricted Persons maintained pursuant to any of the rules and regulations of OFAC or pursuant to any other applicable Executive Orders.

“Organizational Documents” means with respect to any Person, such Person’s Charter and (a) if such Person is a corporation, its bylaws, (b) if such Person is a limited liability company, its limited liability company agreement (or similar agreement), and (c) if such Person is a partnership, its partnership agreement (or similar agreement), each of the foregoing with all current amendments or modifications thereto.

“Patent License” means any written agreement granting any right with respect to any invention on which a Patent is in existence or a Patent application is pending, in which agreement any Loan Party now holds or hereafter acquires any interest.

“Patents” means all letters patent of, or rights corresponding thereto, in the United States of America or in any other country, all registrations and recordings thereof, and all applications for letters patent of, or rights corresponding thereto, in the United States of America or any other country.

“Permitted Acquisition” means any Acquisition (including by way of merger or in-licensing arrangement), in each case located principally within the United States of America, which is conducted in accordance with the following requirements:

(i) of a business or Person or product engaged in a line of business related to that of Borrower or its Subsidiaries;

(ii) unless otherwise agreed by Agent in its sole discretion, if such Acquisition is structured as a stock acquisition, then the Person so acquired shall either (A) become a wholly-owned Subsidiary of Borrower or of a Subsidiary and Borrower shall comply, or cause such Subsidiary to comply, with 7.13 hereof or (B) such Person shall be merged with and into a Loan Party (with such Loan Party being the surviving entity);

(iii) if such Acquisition is structured as the acquisition or in-licensing of assets, such assets shall be acquired by a Loan Party, and shall be free and clear of Liens other than Permitted Liens;

(iv) Borrower shall have delivered to the Lenders not less than seven (7) nor more than forty five (45) days prior to the date of such Acquisition, notice of such Acquisition together with pro forma projected financial information, copies of then-current drafts of all available material documents relating to such acquisition, and available historical financial statements for such acquired entity, division or line of business, in each case in form and substance satisfactory to the Lenders and demonstrating compliance with the covenants set forth in Section 7.20 hereof on a pro forma basis as if the Acquisition occurred on the first day of the most recent measurement period;

(v) both immediately before and after such Acquisition no Default or Event of Default shall have occurred and be continuing; and

(vi) the sum of the purchase price of such proposed new Acquisition, computed on the basis of total acquisition consideration paid or incurred, or to be paid or incurred, by Borrower with respect thereto (excluding for such purpose any unpaid Acquisition Deferred Payments; but including the amount of Permitted Indebtedness assumed or to which such assets, businesses or business or ownership interest or shares, or any Person so acquired, is subject) provided that, the sum of the purchase price shall not be greater than (1) [***] for any single Acquisition or group of related Acquisitions or (2) [***] for all such Acquisitions during the term of this Agreement; provided further that (x) that acquisition consideration funded by proceeds from the sale and issuance of Borrower's Equity Interests in a transaction not resulting in a Change in Control, which sale and issuance is consummated prior to, but no more than three (3) months prior to the consummation of such Acquisition, shall be disregarded in determining compliance with this clause (vi) and (y) for any Acquisition in which the consideration consists of Equity Interest of Borrower, in whole or in part, the value of such Equity Interests shall be disregarded in determining compliance with this clause (vi).

"Permitted Convertible Debt" means issuance by Borrower of convertible notes in an aggregate principal amount of not more than Four Hundred Million Dollars (\$400,000,000); provided that such convertible notes shall (a) not require any scheduled amortization or otherwise require payment of principal prior to, or have a scheduled maturity date, earlier than, one hundred eighty (180) days after the Term Loan Maturity Date (other than in the case of a fundamental change, or such other similar term, as defined in the definitive documents governing such Permitted Convertible Debt), (b) be unsecured or secured, (c) not be guaranteed by any Subsidiary of Borrower that is not a Loan Party, (d) if secured, contain usual and customary subordination terms for underwritten offerings of senior subordinated convertible notes and (e) if secured, shall specifically designate this Agreement and all Secured Obligations as "designated senior indebtedness" or similar term so that the subordination terms referred to in clause (d) of this definition specifically refer to such notes as being subordinated to the Secured Obligations pursuant to such subordination terms.

"Permitted Equity Derivatives" means any forward purchase, accelerated share purchase, call option, warrant transaction or other equity derivative transactions entered into in connection with the Permitted Convertible Debt.

"Permitted Indebtedness" means:

- (i) Indebtedness of Borrower in favor of the Lenders or Agent arising under this Agreement or any other Loan Document;
- (ii) Indebtedness existing on the Closing Date which is disclosed in Schedule 1A;
- (iii) Indebtedness of up to \$1,000,000 outstanding at any time secured by a Lien described in clause (vii) of the defined term "Permitted Liens," provided such Indebtedness does not exceed the cost of the Equipment financed with such Indebtedness;
- (iv) (a) Indebtedness to trade creditors incurred in the ordinary course of business and (b) Indebtedness incurred in the ordinary course of business with corporate credit cards in an amount not to exceed \$1,000,000 at any time outstanding;
- (v) Indebtedness that also constitutes a Permitted Investment;
- (vi) Subordinated Indebtedness;

(vii) reimbursement obligations in connection with letters of credit that are secured by Cash and issued on behalf of Borrower or a Subsidiary thereof in an amount not to exceed \$750,000 at any time outstanding,

(viii) other unsecured Indebtedness in an amount not to exceed \$1,000,000 at any time outstanding,

(ix) intercompany Indebtedness as long as either (A) each of the Subsidiary obligor and the Subsidiary obligee under such Indebtedness is a Subsidiary that has executed a Joinder Agreement or (B) such indebtedness constitutes a Permitted Investment;

(x) Permitted Convertible Debt;

(xi) the financing of insurance premiums in the ordinary course of business;

(xii) surety and appeal bonds, performance bonds, customs bonds and other obligations of a like nature incurred in the ordinary course of business;

(xiii) to the extent constituting Indebtedness, Acquisition Deferred Payments incurred in connection with Permitted Investments;

(xiv) Indebtedness with respect to any Permitted Royalty Transaction; and

(xv) extensions, refinancings and renewals of any items of Permitted Indebtedness, provided that the principal amount is not increased or the terms modified to impose materially more burdensome terms upon Borrower or its Subsidiary, as the case may be, and subject to any limitations on aggregate amount of such Indebtedness.

“Permitted Investment” means:

(i) Investments existing or pending on the Closing Date which are disclosed in Schedule 1B;

(ii) (a) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency or any State thereof maturing within one year from the date of acquisition thereof currently having a rating of at least A-2 or P-2 from either Standard & Poor’s Corporation or Moody’s Investors Services, (b) commercial paper maturing no more than one year from the date of creation thereof and currently having a rating of at least A-2 or P-2 from either Standard & Poor’s Corporation or Moody’s Investors Service, (c) certificates of deposit issued by any bank with assets of at least \$500,000,000 maturing no more than one year from the date of investment therein, and (d) money market accounts;

(iii) [reserved];

(iv) Investments pursuant to Borrower’s investment policy that has been provided to Agent prior to the Closing Date or any investment policy that has been approved in writing by Agent in its reasonable discretion;

(v) Investments accepted in connection with Permitted Transfers;

(vi) Investments (including debt obligations) (A) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent or doubtful obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business and (B) consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business;

(vii) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Affiliates, in the ordinary course of business, provided that this subparagraph (vii) shall not apply to Investments of any Loan Party in any Subsidiary of a Loan Party;

(viii) Investments consisting of (A) loans not involving the net transfer on a substantially contemporaneous basis of cash proceeds to employees, officers or directors relating to the purchase of capital stock of Borrower pursuant to employee stock purchase plans or other similar agreements approved by Borrower's Board; (B) other loans to employees, officers or directors in an amount not to exceed \$500,000 per fiscal year;

(ix) Investments consisting of travel advances in the ordinary course of business;

(x) (A) Investments by a Loan Party in any other Loan Party and (B) Investments in newly-formed Domestic Subsidiaries, provided that each such Domestic Subsidiary enters into a Joinder Agreement promptly after its formation and executes such other documents as shall be reasonably requested by Agent;

(xi) Investments in Foreign Subsidiaries that are not Borrowers or Guarantors that do not exceed \$500,000 in the aggregate in any fiscal year;

(xii) joint ventures or strategic alliances in the ordinary course of Borrower's business consisting of the non-exclusive licensing of technology, the development of technology or the providing of technical support, provided that cash Investments (if any) by Borrower or the applicable Subsidiary do not exceed \$500,000 in the aggregate in any fiscal year;

(xiii) Investments of any Loan Party in or to other Loan Parties;

(xiv) Investments constituting Permitted Acquisitions;

(xv) Permitted Equity Derivatives; and

(xvi) additional Investments that do not exceed \$1,000,000 in the aggregate.

"Permitted Liens" means:

(i) Liens in favor of Agent or the Lenders;

(ii) Liens existing on the Closing Date which are disclosed in Schedule 1C;

(iii) Liens for taxes, fees, assessments or other governmental charges or levies, either not yet due or being contested in good faith by appropriate proceedings diligently conducted; provided, that Borrower maintains adequate reserves therefor on Borrower's Books in accordance with GAAP (to the extent required thereby);

(iv) Liens securing claims or demands of materialmen, artisans, mechanics, carriers, warehousemen, landlords and other like Persons arising in the ordinary course of Borrower's business and imposed without action of such parties; provided, that the payment thereof is not yet required;

(v) Liens arising from judgments, decrees or attachments in circumstances which do not constitute an Event of Default hereunder;

(vi) (A) deposits to secure the performance of obligations (including by way deposits to secure letters of credit issued to secure the same) under commercial supply and/or manufacturing agreements arising in the ordinary course of Borrower's business and (B) the following deposits, to the extent made in the ordinary course of business: deposits under worker's compensation, unemployment insurance, social security and other similar laws, or to secure the performance of bids, tenders or contracts (other than for the repayment of borrowed money) or to secure indemnity, performance or other similar bonds for the performance of bids, tenders or contracts (other than for the repayment of borrowed money) or to secure statutory obligations (other than Liens arising under ERISA or environmental Liens) or surety or appeal bonds, or to secure indemnity, performance or other similar bonds;

(vii) Liens on Equipment, software or other intellectual property or other assets and the proceeds thereof constituting purchase money Liens and Liens in connection with capital leases securing Indebtedness permitted in clause (iii) of "Permitted Indebtedness";

(viii) Liens incurred in connection with Subordinated Indebtedness;

(ix) leasehold interests in leases or subleases and licenses granted in the ordinary course of business and not interfering in any material respect with the business of the licensor, including licenses permitted by clause (ii) of "Permitted Transfers";

(x) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of custom duties that are promptly paid on or before the date they become due;

(xi) Liens on insurance proceeds securing the payment of financed insurance premiums that are promptly paid on or before the date they become due (provided that such Liens extend only to such insurance proceeds and not to any other property or assets);

(xii) statutory and common law rights of set-off and other similar rights as to deposits of cash and securities in favor of banks, other depository institutions and brokerage firms;

(xiii) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business so long as they do not materially impair the value or marketability of the related property;

(xiv) (A) Liens on Cash securing obligations permitted under clauses (vii) and (iv)(b) of the defined term "Permitted Indebtedness" and (B) security deposits in connection with real property leases, the combination of (A) and (B) in an aggregate amount not to exceed \$1,250,000 at any time;

(xv) Liens securing obligations under a Permitted Royalty Transaction to the extent that such Lien solely encumbers the royalty interest purchased pursuant to such Permitted Royalty Transaction or a pledge of the stock of a special purpose entity contemplated under the definition of “Permitted Royalty Transaction”; and

(xvi) Liens incurred in connection with the extension, renewal or refinancing of the Indebtedness secured by Liens of the type described in clauses (i) through (x) above; provided, that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the Indebtedness being extended, renewed or refinanced (as may have been reduced by any payment thereon) does not increase.

“Permitted Royalty Transaction” means any royalty or revenue interest financing whereby Madrigal or any other Loan Party receives upfront Unrestricted Cash (including, not subject to any redemption, clawback, escrow or similar encumbrance or restriction) in exchange for rights to receive future payments based on net sales or revenue, as applicable, of Resmetirom in an amount not to exceed, in the aggregate for all such Permitted Royalty Transactions, the Specified Percentage (as set forth in Schedule 1D) of worldwide net sales or revenue, as applicable, in any calendar year; provided that such royalty or revenue interest financing shall be on terms and conditions, and with a purchaser, in each case consented to in writing by Agent and (a) if structured as Indebtedness, not have a scheduled maturity date earlier than one hundred eighty (180) days after the Term Loan Maturity Date, (b) if secured, not be secured by any Lien or other security interest on any Intellectual Property unless subject to an intercreditor agreement reasonably satisfactory to Agent, and (c) not result in a transfer of ownership of any Intellectual Property other than in accordance with such intercreditor agreement or as set forth below. Notwithstanding anything herein to the contrary, subject to such consent in writing by Agent, a Permitted Royalty Transaction may be structured on a non-recourse basis (other than customary securitization undertakings and/or a pledge of special purpose entity stock) with a special purpose entity that is a wholly-owned Subsidiary of a Loan Party, and in such case Agent and Lenders shall enter into further amendments to the Loan Documents as are reasonably requested by the Company to give effect to such Permitted Royalty Transactions.

“Permitted Transfers” means:

- (i) sales of Inventory in the ordinary course of business,
- (ii) licenses and similar arrangements for the use of Intellectual Property in the ordinary course of business on arm’s length terms, that could not result in a legal transfer of title of the licensed property and that may be exclusive in respects other than territory or may be exclusive or non-exclusive as to region or territory but only as to discrete geographical areas outside of the United States of America in the ordinary course of business,
- (iii) dispositions of worn-out, obsolete or surplus Equipment at fair market value in the ordinary course of business, and
- (iv) (A) transfers of assets to any Loan Party and (B) transfers of assets from any Subsidiary that is not a Loan Party to another Subsidiary that is not a Loan Party;
- (v) the unwinding, settlement or termination of any obligations under or in respect of any Permitted Equity Derivatives;

- (vi) transfers of Cash in the ordinary course of business, subject to the limitations set forth in the Loan Documents;
- (vii) sales, settlement, forgiveness or discounting, in the ordinary course of business, of past due or doubtful accounts in connection with the collection or compromise thereof or in connection with the bankruptcy or reorganization of suppliers or customers;
- (viii) the lapse, abandonment or other disposition of Intellectual Property that is, in the reasonable good faith judgment of Borrower or a Subsidiary, no longer economically practicable or commercially desirable to maintain or useful in the conduct of the business of Borrower and its Subsidiaries;
- (ix) transfers made in connection with the Permitted Royalty Transaction; and
- (x) other Transfers of assets having a fair market value of not more than \$1,000,000 in the aggregate in any fiscal year.

“Person” means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, other entity or government.

“Pledge Agreement” means (i) the Pledge Agreement dated as of the Closing Date between Borrower and Agent, as the same may from time to time be amended, restated, amended and restated, supplemented or otherwise modified and (ii) any other pledge agreement entered into to secure the Secured Obligations, as the same may from time to time be amended, restated, amended and restated, supplemented or otherwise modified.

“Public Health Laws” means all Requirements of Law relating to the procurement, development, clinical and non-clinical evaluation, product approval or licensure, manufacture, production, analysis, distribution, dispensing, importation, exportation, use, handling, quality, sale, labeling, promotion, clinical trial registration or post market requirements of any drug, biologic or other product (including, without limitation, any ingredient or component of the foregoing products) subject to regulation under the Federal Food, Drug, and Cosmetic Act (21 U.S.C. § 301 et seq.) and the Public Health Service Act (42 U.S.C. § 201 et seq.), including without limitation the regulations promulgated by the FDA at Title 21 of the Code of Federal Regulations and all applicable regulations promulgated by the NIH and codified at Title 42 of the Code of Federal Regulations, and guidance, compliance, guides, and other policies issued by the FDA, the NIH and other comparable governmental authorities.

“Products” means all products, software, service offerings, technical data or technology currently being designed, manufactured or sold by Borrower or any of its Subsidiaries or which Borrower or any of its Subsidiaries intends to sell, license, or distribute in the future including any products or service offerings under development, collectively, together with all products, software, service offerings, technical data or technology that have been sold, licensed or distributed by Borrower or such Subsidiary since formation.

“Receivables” means (i) all of Borrower’s Accounts, Instruments, Documents, Chattel Paper, Supporting Obligations, letters of credit, proceeds of any letter of credit, and Letter of Credit Rights, and (ii) all customer lists, software, and business records related thereto.

“Register” has the meaning specified in Section 11.7.

“Registrations” means authorizations, approvals, licenses, permits, certificates, registrations, listings, certificates, or exemptions of or issued by any governmental authority (including marketing approvals, investigational new drug applications, product recertifications, drug manufacturing establishment registration and product listing, pricing and reimbursement approvals, labeling approvals or their foreign equivalent) that are required for the research, development, manufacture, commercialization, distribution, marketing, storage, transportation, pricing, governmental authority reimbursement, use and sale of Products.

“Regulatory Action” means an administrative or regulatory enforcement action, proceeding or investigation, warning letter, untitled letter, Form 483 or similar inspectional observations, other notice of violation letter, recall, seizure, Section 305 notice or other similar written communication, or consent decree, issued or required by the FDA or under the Public Health Laws, the NIH or a comparable governmental authority in any other regulatory jurisdiction.

“Required Lenders” means at any time, the holders of more than 50% of the sum of the aggregate unpaid principal amount of the Term Loans then outstanding.

“Requirements of Law” means, with respect to any Person, collectively, the common law and all federal, state, provincial, local, foreign, multinational or international laws, statutes, codes, treaties, standards, rules and regulations, guidelines, ordinances, orders, judgments, writs, injunctions, decrees (including administrative or judicial precedents or authorities) and the interpretation or administration thereof by, and other determinations, directives, requirements or requests of, any governmental authority, in each case that are applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Resmetirom” means Borrower’s resmetirom product candidate for NASH and non-alcoholic fatty liver disease.

“Responsible Officer” means any of the Chief Executive Officer, General Counsel (or Chief Legal Officer) and Chief Financial Officer of Borrower.

“Revenue Milestone” means satisfaction of each of the following events: (a) no default or Event of Default shall have occurred and be continuing, (b) the Approval Milestone has been achieved, and (c) Borrower shall have delivered evidence satisfactory to Agent (as determined by Agent in its sole discretion) that after the Closing Date and prior to January 31, 2026, Borrower has achieved at least [***] in T3M Net Product Revenue.

“Roche Agreement” means that certain Research, Development and Commercialization Agreement, dated as of December 18, 2008, by and between Madrigal (as successor in interest to VIA Pharmaceuticals, Inc.), Hoffman-La Roche Inc. and F. Hoffmann-La Roche Ltd, as amended, restated, amended and restated, supplemented or otherwise modified from time to time.

“Sanctioned Country” means, at any time, a country or territory which is the subject or target of any Sanctions.

“Sanctioned Person” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, or by the United Nations Security Council, the European Union or any EU member state, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person controlled by any such Person.

“Sanctions” means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, or (b) the United Nations Security Council, the European Union or Her Majesty’s Treasury of the United Kingdom.

“Secured Obligations” means Borrower’s obligations under this Agreement and any Loan Document (other than the Warrants), including any obligation to pay any amount now owing or later arising.

“Subordinated Indebtedness” means Indebtedness subordinated to the Secured Obligations in amounts and on terms and conditions satisfactory to Agent in its sole discretion and subject to a subordination agreement in form and substance satisfactory to Agent in its sole discretion.

“Subsequent Financing” means the closing of any Madrigal financing involving the sale and issuance of Madrigal’s Equity Interests that is broadly marketed to multiple investors and which becomes effective after the Closing Date.

“Subsidiary” means an entity, whether a corporation, partnership, limited liability company, joint venture or otherwise, in which Borrower owns or controls 50% or more of the outstanding voting securities, directly or indirectly. If not otherwise specified, a Subsidiary shall mean a direct or indirect Subsidiary of Borrower, including each entity listed on Schedule 1 hereto.

“T3M Net Product Revenue” means the net product revenue of Borrower and its Subsidiaries, as determined in accordance with GAAP, from the sale of Resmetirom (which, for the avoidance of doubt, may include royalty or profit sharing revenue recognized in accordance with GAAP, but which shall not include any upfront or milestone-based payments under business development or licensing transactions) in the United States of America, measured on a trailing three-month basis as of the date of the most recently delivered monthly financial statements in accordance with Section 7.1(a).

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any governmental authority, including any interest, additions to tax or penalties applicable thereto.

“Term Commitment” means as to any Lender, the obligation of such Lender, if any, to make a Term Loan Advance to Borrower in a principal amount not to exceed the amount set forth under the heading “Term Commitment” opposite such Lender’s name on Schedule 1.1 hereto.

“Term Loan Advance” means each Tranche 1 Advance, Tranche 2 Advance, Tranche 3 Advance, Tranche 4 Advance and any other Term Loan funds advanced under this Agreement.

“Term Loan Interest Rate” means for any day a per annum rate of interest equal to the greater of either (i) the prime rate as reported in The Wall Street Journal plus 3.95%, and (ii) 7.45%.

“Term Loan Maturity Date” means May 1, 2026; provided, however, if the Approval Milestone is achieved, then May 3, 2027; provided further, that if such day is not a Business Day, the Term Loan Maturity Date shall be the immediately preceding Business Day.

“Trademark License” means any written agreement granting any right to use any Trademark or Trademark registration, now owned or hereafter acquired by any Loan Party or in which any Loan Party now holds or hereafter acquires any interest.

“Trademarks” means all trademarks (registered, common law or otherwise) and any applications in connection therewith, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States of America, any State thereof or any other country or any political subdivision thereof.

“Tranche 1” means the Advances pursuant to Section 2.2(a).

“Tranche 2” means the Advances pursuant to Section 2.2(b).

“Tranche 2 Facility Charge” means zero point five percent (0.50%) of each Tranche 2 Advance, which is payable to the Lenders in accordance with Section 4.2(d).

“Tranche 3” means the Advances pursuant to Section 2.2(c).

“Tranche 3 Facility Charge” means zero point five percent (0.50%) of each Tranche 3 Advance, which is payable to the Lenders in accordance with Section 4.2(e).

“Tranche 4” means the Advances pursuant to Section 2.2(d).

“Tranche 4 Facility Charge” means zero point five percent (0.50%) of each Tranche 4 Advance, which is payable to the Lenders in accordance with Section 4.2(f).

“UCC” means the Uniform Commercial Code as the same is, from time to time, in effect in the State of California; provided, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, Agent’s Lien on any Collateral is governed by the Uniform Commercial Code as the same is, from time to time, in effect in a jurisdiction other than the State of California, then the term “UCC” shall mean the Uniform Commercial Code as in effect, from time to time, in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

“Unrestricted Cash” means unrestricted Cash of Borrower maintained in Deposit Accounts or other accounts in Borrower’s name subject to an Account Control Agreement in favor of Agent, subject to any post-closing period provided under this Agreement to deliver Account Control Agreements.

“U.S. Person” means any Person that is a “United States person” as defined in Section 7701(a)(30) of the Code.

“Warrant” means any warrant entered into in connection with the Loan, as may be amended, restated or modified from time to time.

1.2 The following terms are defined in the Sections or subsections referenced opposite such terms:

<u>Defined Term</u>	<u>Section</u>
Agent	Preamble
Assignee	11.14
Borrower	Preamble
Claims	11.11
Collateral	3.1
Confidential Information	11.13
Confidentiality Agreement	11.13
Current Company IP	5.10(a)
End of Term Charge	2.6
Event of Default	9
Financial Statements	7.1
Indemnified Person	6.3
Lenders	Preamble
Liabilities	6.3
Maximum Rate	2.3
Participant Register	11.8
Test Date	7.20(b)
Prepayment Charge	2.5
Publicity Materials	11.19
Register	11.7
Rights to Payment	3.1
Specified Disputes	5.10(g)
Specified Percentage	Schedule 1D
Third Party IP	5.10(i)
Tranche 1 Advance	2.2(a)
Tranche 2 Advance	2.2(b)
Tranche 3 Advance	2.2(c)
Tranche 4 Advance	2.2(d)

1.3 Unless otherwise specified, all references in this Agreement or any Annex or Schedule hereto to a “Section,” “subsection,” “Exhibit,” “Annex,” or “Schedule” shall refer to the corresponding Section, subsection, Exhibit, Annex, or Schedule in or to this Agreement. Unless otherwise specifically provided herein, any accounting term used in this Agreement or the other Loan Documents shall have the meaning customarily given such term in accordance with GAAP, and all financial computations hereunder shall be computed in accordance with GAAP, consistently applied; provided that, no effect shall be given to Accounting Standards Codification 842, Leases (or any other Accounting Standards Codification having similar result or effect) (and related interpretations) to the extent any lease (or similar arrangement) would be required to be treated as a capital lease thereunder where such lease (or arrangement) would have been treated as an operating lease under GAAP as in effect immediately prior to the effectiveness of such Accounting Standards Codification. Unless otherwise defined herein or in the other Loan Documents, terms that are used herein or in the other Loan Documents and defined in the UCC shall have the meanings given to them in the UCC. For all purposes under the Loan Documents, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction’s laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its Equity Interests at such time.

SECTION 2. THE LOAN

2.1 [Reserved].

2.2 Term Loan Advances.

(a) Tranche 1 Advance. Subject to the terms and conditions of this Agreement, on the Closing Date, the Lenders shall severally (and not jointly) make in an amount not to exceed their respective Term Commitments, and Borrower agrees to draw, a Term Loan Advance in an aggregate principal amount equal to Fifty Million Dollars (\$50,000,000) (the “Tranche 1 Advance”).

(b) Tranche 2 Advance. Subject to the terms and conditions of this Agreement and the achievement of the Clinical Milestone, on or prior to the earlier of June 30, 2023 or ninety (90) days following the achievement of the Clinical Milestone, Borrower may request, and the Lenders shall severally (and not jointly) make, additional Term Loan Advances in an aggregate principal amount up to Fifty Million Dollars (\$50,000,000), in minimum draws of at least Ten Million Dollars (\$10,000,000) (or if less than Ten Million Dollars (\$10,000,000), the remaining amount of Term Loan Advances available to be drawn pursuant to this Section 2.2(b)) (each, a “Tranche 2 Advance”); provided that Borrower shall not be permitted to request more than two (2) Tranche 2 Advances in total.

(c) Tranche 3 Advance. Subject to the terms and conditions of this Agreement and the achievement of the Approval Milestone, on or prior to the earlier of June 30, 2024 or ninety (90) days following the achievement of the Approval Milestone, Borrower may request, and the Lenders shall severally (and not jointly) make, additional Term Loan Advances in an aggregate principal amount up to Seventy-Five Million Dollars (\$75,000,000), in minimum draws of at least Ten Million Dollars (\$10,000,000) (or if less than Ten Million Dollars (\$10,000,000), the remaining amount of Term Loan Advances available to be drawn pursuant to this Section 2.2(c)) (each, a “Tranche 3 Advance”); provided that Borrower shall not be permitted to request more than two (2) Tranche 3 Advances in total.

(d) Tranche 4 Advance. Subject to the terms and conditions of this Agreement and conditioned on approval by the Lenders’ respective investment committees in their sole and unfettered discretion, prior to the Amortization Date, Borrower may request, and the Lenders shall severally (and not jointly) make, additional Term Loan Advances in an aggregate principal amount of up to Seventy-Five Million Dollars (\$75,000,000), in minimum draws of at least Ten Million Dollars (\$10,000,000) (or if less than Ten Million Dollars (\$10,000,000), the remaining amount of Term Loan Advances available to be drawn pursuant to this Section 2.2(d)) (each, a “Tranche 4 Advance”); provided that Borrower shall not be permitted to request more than two (2) Tranche 4 Advances in total.

The aggregate outstanding Term Loan Advances shall not exceed the Maximum Term Loan Amount. Each Term Loan Advance of each Lender shall not exceed its respective Term Commitment.

(e) Advance Request. To obtain a Term Loan Advance, Borrower shall complete, sign and deliver an Advance Request (at least one (1) Business Day before the Closing Date and at least five (5) Business Days before each Advance Date other than the Closing Date to Agent. The Lenders shall fund the Term Loan Advance in the manner requested by the Advance Request provided that each of the conditions precedent to such Term Loan Advance set forth in Section 4 is satisfied as of the requested Advance Date.

(f) Interest.

(i) Term Loan Interest Rate. The principal balance of each Term Loan Advance shall bear interest thereon from such Advance Date in an amount equal to the product of the outstanding Term Loan principal balance multiplied by the Term Loan Interest Rate based on a year consisting of 360 days, with interest computed daily based on the actual number of days elapsed. The Term Loan Interest Rate will float and change on the day the prime rate changes from time to time.

(g) Payment. Borrower will pay interest on each Term Loan Advance on the first Business Day of each month, beginning the month after the Advance Date. Borrower shall repay the aggregate Term Loan principal balance that is outstanding on the day immediately preceding the Amortization Date, in equal monthly installments of principal and interest (mortgage style) beginning on the Amortization Date and continuing on the first Business Day of each month thereafter until the Secured Obligations (other than inchoate indemnity obligations) are repaid. The entire Term Loan principal balance and all accrued but unpaid interest hereunder, shall be due and payable on the Term Loan Maturity Date. Borrower shall make all payments under this Agreement without setoff, recoupment or deduction (except as provided in Addendum 1) and regardless of any counterclaim or defense. If a payment hereunder becomes due and payable on a day that is not a Business Day, the due date thereof shall be the immediately preceding Business Day. Agent, for the benefit of the Lenders, will initiate debit entries to Borrower's account as authorized on the ACH Authorization (i) on each payment date of all periodic obligations payable to the Lenders under each Term Loan Advance and (ii) reasonable and documented out-of-pocket legal fees and costs incurred by Agent or the Lenders in connection with Section 11.12 of this Agreement; provided that, with respect to clause (i) above, in the event that Agent informs Borrower that Agent will not initiate a debit entry to Borrower's account for a certain amount of the periodic obligations due on a specific payment date, Borrower shall pay to Agent, for the ratable benefit of the Lenders, such amount of periodic obligations in full in immediately available funds on such payment date; provided, further, that, with respect to clause (i) above, if Agent informs Borrower that Agent will not initiate a debit entry as described above later than the date that is three (3) Business Days prior to such payment date, Borrower shall pay to Agent, for the ratable benefit of the Lenders, such amount of periodic obligations in full in immediately available funds on the date that is three (3) Business Days after the date on which Agent notifies Borrower thereof; provided, further, that, with respect to clause (ii) above, in the event that Agent informs Borrower that Agent will not initiate a debit entry to Borrower's account for certain amounts of such out-of-pocket legal fees and costs incurred by Agent or the Lenders, Borrower shall pay to Agent such amounts in full in immediately available funds within three (3) Business Days.

2.3 Maximum Interest. Notwithstanding any provision in this Agreement or any other Loan Document, it is the parties' intent not to contract for, charge or receive interest at a rate that is greater than the maximum rate permissible by law that a court of competent jurisdiction shall deem applicable hereto (which under the laws of the State of California shall be deemed to be the laws relating to permissible rates of interest on commercial loans) (the "Maximum Rate"). If a

court of competent jurisdiction shall finally determine that Borrower has actually paid to the Lenders an amount of interest in excess of the amount that would have been payable if all of the Secured Obligations had at all times borne interest at the Maximum Rate, then such excess interest actually paid by Borrower shall be applied as follows: first, to the payment of the Secured Obligations consisting of the outstanding principal; second, after all principal is repaid, to the payment of the Lenders' accrued interest, costs, expenses, professional fees and any other Secured Obligations; and third, after all Secured Obligations are repaid, the excess (if any) shall be refunded to Borrower.

2.4 Default Interest. In the event any payment is not paid on the scheduled payment date (other than a failure to pay due solely to an administrative or operational error of Agent or the Lenders or Borrower's bank if Borrower had the funds to make the payment when due and makes the payment within three (3) Business Days following Borrower's knowledge of such failure to pay), an amount equal to four percent (4%) of the past due amount shall be payable on demand. In addition, upon the occurrence and during the continuation of an Event of Default hereunder, all Secured Obligations, including principal, interest, compounded interest, and professional fees, shall bear interest at a rate per annum equal to the rate set forth in Section 2.2(f), plus four percent (4%) per annum. In the event any interest is not paid when due hereunder, delinquent interest shall be added to principal and shall bear interest on interest, compounded at the rate set forth in Section 2.2(f) or this Section 2.4, as applicable.

2.5 Prepayment. At its option upon at least seven (7) Business Days prior written notice (which such notice may be conditioned upon the consummation of a transaction constituting a Change in Control, other transformative transaction or a refinancing of the Loans) to Agent, Borrower may at any time prepay all or a portion of the outstanding Advances by paying the entire principal balance (or such portion thereof), all accrued and unpaid interest thereon, together with a prepayment charge equal to the following percentage of the principal amount of the Advance being prepaid: with respect to each Advance, if the principal amount of such Advance is prepaid in any of the first twelve (12) months following the Closing Date, two percent (2.0%); after twelve (12) months but on or prior to twenty four (24) months, one point five percent (1.5%); after twenty four (24) months but on or prior to thirty six (36) months, zero point five percent (0.5%); and thereafter, zero percent (0%) (each, a "Prepayment Charge"). Borrower agrees that the Prepayment Charge is a reasonable calculation of the Lenders' lost profits in view of the difficulties and impracticality of determining actual damages resulting from an early repayment of the Advances. Borrower shall prepay the outstanding amount of all principal and accrued interest through the prepayment date and the Prepayment Charge upon any prepayment hereunder; provided that, for the avoidance of doubt, no Prepayment Charge shall be due if Borrower prepays all of the outstanding Advances in connection with the occurrence of a Change in Control. Notwithstanding the foregoing, Agent and the Lenders agree to waive the Prepayment Charge if Agent and the Lenders (in their sole and absolute discretion) or their respective Affiliates agree in writing to refinance the Advances prior to the Term Loan Maturity Date. Any amounts paid under this Section shall be applied by Agent to the then unpaid amount of any Secured Obligations (including principal and interest) in such order and priority as Agent may choose in its sole discretion. For the avoidance of doubt, if a payment hereunder becomes due and payable on a day that is not a Business Day, the due date thereof shall be the immediately preceding Business Day.

2.6 End of Term Charge.

(a) On the earliest to occur of (i) the Term Loan Maturity Date, (ii) the date that Borrower prepays in full the outstanding Secured Obligations (other than any inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement), or (iii) the date that the Secured Obligations become due and payable (including by acceleration of the Secured Obligations during an Event of Default) pursuant to the terms of this Agreement, Borrower shall pay the Lenders a charge of five point three five percent (5.35%) of the aggregate original principal amount of the Term Loan Advances made hereunder (including, for the avoidance of doubt, the principal amount of any partial prepayments of Term Loan Advances made pursuant to Section 2.5) (the "End of Term Charge").

(b) Notwithstanding the required payment date of such End of Term Charge, the applicable pro rata portion of the End of Term Charge shall be deemed earned by the Lenders as of each date a Term Loan Advance is made. For the avoidance of doubt, if a payment hereunder becomes due and payable on a day that is not a Business Day, the due date thereof shall be the immediately preceding Business Day.

2.7 Pro Rata Treatment. Each payment (including prepayment) on account of any fee and any reduction of the Term Loans shall be made pro rata according to the Term Commitments of the relevant Lenders.

2.8 Taxes; Increased Costs. Borrower, Agent and the Lenders each hereby agree to the terms and conditions set forth on Addendum 1 attached hereto.

2.9 Treatment of Prepayment Charge and End of Term Charge. Borrower agrees that any Prepayment Charge and any End of Term Charge payable shall be presumed to be the liquidated damages sustained by each Lender as the result of the early termination, and Borrower agrees that it is reasonable under the circumstances currently existing and existing as of the Closing Date. The Prepayment Charge and the End of Term Charge shall also be payable in the event the Secured Obligations (and/or this Agreement) are satisfied or released by foreclosure (whether by power of judicial proceeding), deed in lieu of foreclosure, or by any other means. Each Loan Party expressly waives (to the fullest extent it may lawfully do so) the provisions of any present or future statute or law that prohibits or may prohibit the collection of the foregoing Prepayment Charge and End of Term Charge in connection with any such acceleration. Borrower agrees (to the fullest extent that each may lawfully do so): (a) each of the Prepayment Charge and the End of Term Charge is reasonable and is the product of an arm's length transaction between sophisticated business people, ably represented by counsel; (b) each of the Prepayment Charge and the End of Term Charge shall be payable notwithstanding the then prevailing market rates at the time payment is made; (c) there has been a course of conduct between the Lenders and Borrower giving specific consideration in this transaction for such agreement to pay the Prepayment Charge and the End of Term Charge as a charge (and not interest) in the event of prepayment or acceleration; and (d) Borrower shall be estopped from claiming differently than as agreed to in this paragraph. Borrower expressly acknowledges that their agreement to pay each of the Prepayment Charge and the End of Term Charge to the Lenders as herein described was on the Closing Date and continues to be a material inducement to the Lenders to provide the Term Loans.

SECTION 3. SECURITY INTEREST

3.1 Grant of Security Interest. As security for the prompt and complete payment when due (whether on the payment dates or otherwise) of all the Secured Obligations, Borrower grants to Agent a security interest in all of Borrower's right, title, and interest in and to the following property whether now owned or hereafter acquired (collectively, the "Collateral"): (a) Receivables; (b) Equipment; (c) Fixtures; (d) General Intangibles (other than Intellectual Property); (e)

Inventory; (f) Investment Property; (g) Deposit Accounts; (h) Cash; (i) Goods; and (j) all other tangible and intangible personal property of Borrower whether now or hereafter owned or existing, or acquired by, Borrower and wherever located, and any of Borrower's property in the possession or under the control of Agent; and, to the extent not otherwise included, all Proceeds of each of the foregoing and all accessions to, substitutions and replacements for, and rents, profits and products of each of the foregoing; provided, however, that the Collateral shall include all Accounts and General Intangibles that consist of rights to payment and proceeds from the sale, licensing or disposition of all or any part, or rights in, the Intellectual Property (the "Rights to Payment"). Notwithstanding the foregoing, if a judicial authority (including a U.S. Bankruptcy Court) holds that a security interest in the underlying Intellectual Property is necessary to have a security interest in the Rights to Payment, then the Collateral shall automatically, and effective as of the date of this Agreement, include the Intellectual Property to the extent necessary to permit perfection of Agent's security interest in the Rights to Payment.

3.2 Excluded Collateral. Notwithstanding the broad grant of the security interest set forth in Section 3.1, above, the Collateral shall not include (a) subject to the last sentence of Section 3.1, any Intellectual Property, (b) licenses or contracts, including without limitation any licenses described in clause (b) of the defined term "Permitted Transfers," the terms of which prohibit the transfer, assignment or pledge thereof or require the consent of the licensor thereof or another party (but only to the extent such prohibition on transfer, assignment or pledge is enforceable under applicable law, including, without limitation, Sections 9406, 9407 and 9408 of the UCC); provided further, that upon the termination of such prohibition or such consent being provided with respect to any license or contract, such license or contract shall automatically be included in the Collateral, (c) more than 65% of the presently existing and hereafter arising issued and outstanding Equity Interests owned by Borrower or any other Loan Party of any Foreign Subsidiary which Equity Interests entitle the holder thereof to vote for directors or any other matter, (d) any Excluded Accounts, (e) any property, right or asset held by any Loan Party to the extent that a grant of a security interest therein is prohibited by applicable law, (f) the assets of any non-wholly owned subsidiary pursuant to customary restrictions and conditions contained in agreements governing joint ventures or strategic alliances that constitute Permitted Investments, provided that the applicable Loan Party has exercised its good faith best efforts to not agree to (or to remove) such customary restrictions and conditions, and (g) interests in joint ventures that constitute Permitted Investments pursuant to customary restrictions and conditions contained in agreements governing such joint ventures.

SECTION 4. CONDITIONS PRECEDENT TO LOAN

The obligations of the Lenders to make the Loan hereunder are subject to the satisfaction by Borrower of the following conditions:

4.1 Initial Advance. On or prior to the Closing Date, Borrower shall have delivered to Agent the following:

(a) duly executed copies of the Loan Documents (other than the Warrants, which shall be an original), Account Control Agreements, and all other documents and instruments reasonably required by Agent to effectuate the transactions contemplated hereby or to create and perfect the Liens of Agent with respect to all Collateral, in all cases in form and substance reasonably acceptable to Agent;

(b) a legal opinion of Borrower's counsel in form and substance reasonably acceptable to Agent;

(c) a copy of resolutions of Borrower's Board evidencing approval of (i) the Loan and other transactions evidenced by the Loan Documents, and (ii) the Warrants and transactions evidenced thereby, certified by an officer of Borrower;

(d) certified copies of the Charter of Borrower, certified by the Secretary of State of the applicable jurisdiction of organization and the other Organizational Documents, as amended through the Closing Date, of Borrower, certified by an officer of Borrower;

(e) a certificate of good standing for Borrower from the applicable jurisdiction of organization and similar certificates from all other jurisdictions in which Borrower does business and where the failure to be qualified could have a Material Adverse Effect;

(f) a perfection certificate of Borrower, together with duly executed signatures thereto;

(g) certified copies, dated as of a recent date, of searches for financing statements filed in the central filing office of the State of Delaware;

(h) Intellectual Property searches with respect to Borrower;

(i) payment of the Due Diligence Fee (which has been paid prior to the Closing Date), Initial Facility Charge and reimbursement of Agent's and the Lenders' current expenses reimbursable pursuant to this Agreement, which amounts may be deducted from the initial Advance;

(j) all certificates of insurance, endorsements, and copies of each insurance policy required pursuant to Section 6.2; and

(k) such other documents as Agent may reasonably request.

4.2 All Advances. On each Advance Date:

(a) Agent shall have received (i) an Advance Request for the relevant Advance as required by Section 2.2(e), duly executed by a Responsible Officer, and (ii) any other documents Agent may reasonably request.

(b) The representations and warranties set forth in this Agreement shall be true and correct in all material respects on and as of the Advance Date with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

(c) Borrower shall be in compliance with all the terms and provisions set forth herein and in each other Loan Document on its part to be observed or performed, and at the time of and immediately after such Advance no Event of Default shall have occurred and be continuing.

(d) with respect to any Tranche 2 Advance, the Loan Parties shall have paid the Tranche 2 Facility Charge;

(e) with respect to any Tranche 3 Advance, the Loan Parties shall have paid the Tranche 3 Facility Charge;

(f) with respect to any Tranche 4 Advance, the Loan Parties shall have paid the Tranche 4 Facility Charge;

(g) Each Advance Request shall be deemed to constitute a representation and warranty by Borrower on the relevant Advance Date as to the matters specified in subsections (b) and (c) of this Section 4.2 and as to the matters set forth in the Advance Request.

4.3 No Default. As of the Closing Date and each Advance Date, (i) no fact or condition exists that could (or could, with the passage of time, the giving of notice, or both) constitute an Event of Default and (ii) no event that has had or could reasonably be expected to have a Material Adverse Effect has occurred and is continuing.

4.4 Post-Closing Deliveries. The Loan Parties shall deliver the documents or satisfy the conditions, as applicable, in accordance with Schedule 4.4 hereto.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF BORROWER

Borrower represents and warrants that:

5.1 Organizational Status. Each Loan Party is a corporation or limited liability company, as applicable, duly organized, legally existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation, limited liability company or partnership, as the case may be, in all jurisdictions in which the nature of its business or location of its properties require such qualifications and where the failure to be qualified could reasonably be expected to have a Material Adverse Effect. Each Loan Party's present name, former names (if any), locations, place of formation, tax identification number, organizational identification number and other information are correctly set forth in Exhibit B, as may be updated by Borrower in a written notice (including any Compliance Certificate) provided to Agent after the Closing Date in accordance with this Agreement.

5.2 Collateral. Each Loan Party owns the Collateral and the Current Company IP (other than any in-licensed Intellectual Property), free of all Liens, except for Permitted Liens. Each Loan Party has the power and authority to grant to Agent a Lien in the Collateral as security for the Secured Obligations.

5.3 Consents. Each Loan Party's execution, delivery and performance of this Agreement and all other Loan Documents to which it is party, and Borrower's execution of the Warrants, (i) have been duly authorized by all necessary action in accordance with such Loan Party's Organizational Documents and applicable law, (ii) will not result in the creation or imposition of any Lien upon the Collateral, other than Permitted Liens, (iii) do not violate (A) any provisions of such Loan Party's Organizational Documents, or (B) any law, regulation, order, injunction, judgment, decree or writ to which Borrower is subject, and (iv) except as described on Schedule 5.3, do not violate any Material Agreement or require the consent or approval of any other Person which has not already been obtained. The individual or individuals executing the Loan Documents on behalf of each Loan Party and the Warrants on behalf of Borrower are duly authorized to do so.

5.4 Material Adverse Effect. Since December 31, 2021, no event that has had or could reasonably be expected to have a Material Adverse Effect has occurred and is continuing, and no Loan Party is aware of any event or circumstance likely to occur that is reasonably expected to result in a Material Adverse Effect.

5.5 Actions Before Governmental Authorities. There are no actions, suits or proceedings at law or in equity or by or before any governmental authority now pending or, to the knowledge of any Loan Party, threatened in writing against or affecting a Loan Party or its property, that is reasonably expected to result in a Material Adverse Effect.

5.6 Laws.

(a) Neither Borrower nor any of its Subsidiaries is in violation of any law, rule or regulation, or in default with respect to any judgment, writ, injunction or decree of any governmental authority, where such violation or default is reasonably expected to result in a Material Adverse Effect. Borrower is not in default under any (i) agreement or instrument evidencing Material Indebtedness to which it is a party or by which it is bound, (ii) any Material Agreement or (iii) any other agreement to which default is reasonably expected to result in a Material Adverse Effect.

(b) Neither Borrower nor any of its Subsidiaries is an “investment company” or a company “controlled” by an “investment company” under the Investment Company Act of 1940, as amended. Neither Borrower nor any of its Subsidiaries is engaged as one of its important activities in extending credit for margin stock (under Regulations X, T and U of the Federal Reserve Board of Governors). Borrower and each of its Subsidiaries has complied in all material respects with the Federal Fair Labor Standards Act. Neither Borrower nor any of its Subsidiaries is a “holding company” or an “affiliate” of a “holding company” or a “subsidiary company” of a “holding company” as each term is defined and used in the Public Utility Holding Company Act of 2005. Neither Borrower’s nor any of its Subsidiaries’ properties or assets has been used by Borrower or such Subsidiary or, to Borrower’s knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than in material compliance with applicable laws. Borrower and each of its Subsidiaries has obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all governmental authorities that are necessary to continue their respective businesses as currently conducted.

(c) None of Borrower, any of its Subsidiaries, or, to Borrower’s knowledge, any of Borrower’s or its Subsidiaries’ Affiliates or any of their respective agents acting or benefiting in any capacity in connection with the transactions contemplated by this Agreement is (i) in violation of any Anti-Terrorism Law, (ii) engaging in or conspiring to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law, or (iii) is a Blocked Person. None of Borrower, any of its Subsidiaries, or to the knowledge of Borrower and any of their Affiliates or agents, acting or benefiting in any capacity in connection with the transactions contemplated by this Agreement, (x) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Blocked Person, or (y) deals in, or otherwise engages in any transaction relating to, any property or interest in property blocked pursuant to Executive Order No. 13224, any similar executive order or other Anti-Terrorism Law. None of the funds to be provided under this Agreement will be used, directly or indirectly, (a) for any activities in violation of any applicable anti-money laundering, economic sanctions and anti-

bribery laws and regulations or (b) for any payment to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

5.7 Information Correct and Current. No information, report, Advance Request, financial statement, exhibit or schedule furnished (in each case, other than forecasts, projections and other forward looking statements and information), by or on behalf of any Loan Party to Agent in connection with any Loan Document or included therein or delivered pursuant thereto contained, or, when taken as a whole, contains any material misstatement of fact or, when taken together with all other such information or documents, omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were, are or will be made, not materially misleading at the time such statement was made or deemed made. Additionally, any and all financial or business projections, forecasts or forward-looking statements provided by any Loan Party to Agent, whether prior to or after the Closing Date, shall be (i) provided in good faith and based on the most current data and information available to such Loan Party, and (ii) the most current of such projections provided to such Loan Party's Board (it being understood that such matters are subject to significant uncertainties and contingencies, many of which are beyond the control of Borrower, that no assurance is given that any particular matters will be realized and that actual results may differ).

5.8 Tax Matters. Except as described on Schedule 5.8 or in the most recently delivered Compliance Certificate in accordance with Section 7.1(d) (provided that such disclosure made in such Compliance Certificate shall not apply to a period covered by a prior Compliance Certificate and shall not cure any default arising from any false or misleading misrepresentations and warranties when made or when deemed made), (a) Borrower and its Subsidiaries have filed all federal and state income Tax returns and other material Tax returns that they are required to file, (b) Borrower and its Subsidiaries have duly paid all federal and state income Taxes and other material Taxes or installments thereof that they are required to pay, except in the case of clause (a) and this clause (b), that relate to Taxes being contested in good faith by appropriate proceedings and for which Borrower and its Subsidiaries maintain adequate reserves in accordance with GAAP, and (c) to the best of Borrower's knowledge, no proposed or pending Tax assessments, deficiencies, audits or other proceedings with respect to Borrower or any Subsidiary have had, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

5.9 Intellectual Property Claims. Each Loan Party is the sole owner of, or otherwise has the right to use, the Intellectual Property material to such Loan Party's business. Except as described on Schedule 5.9 and as may be updated by Borrower in a written notice (including any Compliance Certificate) provided from time to time after the Closing Date, (i) each of the material Copyrights, Trademarks and Patents (other than patent applications) is valid and enforceable, (ii) no material part of the Intellectual Property has been judged invalid or unenforceable, in whole or in part, and (iii) except as set forth in the most recently delivered Compliance Certificate in accordance with Section 7.1(d), no claim has been made in writing to any Loan Party that any material part of the Intellectual Property violates the rights of any third party. Exhibit C (and as may be updated by Borrower in a written notice provided from time to time after the Closing Date) is a true, correct and complete list of each of each Loan Party's registered Patents and filed Patent applications, registered Trademarks, registered Copyrights, and Material Agreements under which such Loan Party licenses Intellectual Property from third parties (other than shrink-wrap software licenses, licenses that are commercially available to the public, open source licenses, licenses disclosed in writing to Agent as required under this Agreement and immaterial Intellectual

Property licensed to Borrower in the ordinary course of business), together with application or registration numbers, as applicable, owned by such Loan Party or any Subsidiary, in each case as of the Closing Date. No Loan Party is in material breach of, nor has any Loan Party failed to perform any material obligations under, any of the foregoing contracts, licenses or agreements and, to each Loan Party's knowledge, no third party to any such contract, license or agreement is in material breach thereof or has failed to perform any material obligations thereunder.

5.10 Intellectual Property.

(a) A true, correct and complete list of each pending, registered or in-licensed Intellectual Property that, individually or taken together with any other such Intellectual Property, is material to the business of Borrower and its Subsidiaries, taken as a whole, relating to the research, development, manufacture, production, use, commercialization, marketing, importing, storage, transport, offer for sale, distribution or sale of the Products, and is owned or co-owned by or exclusively licensed to Borrower or any of its Subsidiaries (collectively, the "Current Company IP"), including its name/title, current owner or co-owners (including ownership interest), registration, patent or application number, and registration or application date, issued or filed in the United States of America, is set forth on Schedule 5.10(a) or in the most recently delivered Compliance Certificate in accordance with Section 7.1(d) (provided that such disclosure made in such Compliance Certificate shall not apply to a period covered by a prior Compliance Certificate and shall not cure any default arising from any false or misleading misrepresentations and warranties when made or when deemed made). Except as set forth on Schedule 5.10(a), (i) (A) each item of owned Current Company IP is valid, subsisting and (other than with respect to Patent applications) enforceable and no such item of Current Company IP has lapsed, expired, been cancelled or invalidated or become abandoned or unenforceable, and (B) no written notice has been received challenging the inventorship or ownership, or relating to any lapse, expiration, invalidation, abandonment or unenforceability, of any such item of Current Company IP, and (ii) (A) each such item of Current Company IP which is exclusively licensed from another Person is valid, subsisting and enforceable and no such item of Current Company IP has lapsed, expired, been canceled or invalidated, or become abandoned or unenforceable, and (B) no written notice has been received challenging the inventorship or ownership, or relating to any lapse, expiration, invalidation, abandonment or unenforceability, of any such item of Current Company IP. To the knowledge of any Loan Party, there are no published Patents, Patent applications, articles or prior art references that would reasonably be expected to materially adversely affect the exploitation of the Products. Except as set forth on Schedule 5.10(a) or in the most recently delivered Compliance Certificate in accordance with Section 7.1(d) (provided that such disclosure made in such Compliance Certificate shall not apply to a period covered by a prior Compliance Certificate and shall not cure any default arising from any false or misleading misrepresentations and warranties when made or when deemed made), (x) each Person who has or has had any rights in or to owned Current Company IP or any trade secrets owned by Borrower or any of its Subsidiaries, including each inventor named on the Patents within such owned Current Company IP filed by Borrower or any of its Subsidiaries has executed an agreement assigning his, her or its entire right, title and interest in and to such owned Current Company IP and such trade secrets, and the inventions, improvements, discoveries, writings, works of authorship, information and other intellectual property embodied, described or claimed therein, to the stated owner thereof, and (y) no such Person has any contractual or other obligation that would preclude or conflict with such assignment or the exploitation of the Products or entitle such Person to ongoing payments.

(b) (i) Borrower or any of its Subsidiaries possesses valid title to the Current Company IP for which it is listed as the owner or co-owner, as applicable, on Schedule 5.10(a); and (ii) there are no Liens on any Current Company IP (other than Permitted Liens).

(c) There are no material maintenance, annuity or renewal fees that are currently overdue beyond their allotted grace period for any of the Current Company IP which is owned or exclusively licensed to Borrower or any of its Subsidiaries, nor have any applications or registrations therefore lapsed or become abandoned, been cancelled or expired. There are no material maintenance, annuity or renewal fees that are currently overdue beyond their allotted grace period for any of the Current Company IP which is non-exclusively licensed to Borrower or any of its Subsidiaries, nor have any applications or registrations therefor lapsed or become abandoned, been canceled or expired.

(d) There are no unpaid fees or royalties under any Material Agreements that have become due, or are expected to become overdue. Each Material Agreement is in full force and effect and is legal, valid, binding and enforceable in accordance with its respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability. Except as set forth on Schedule 5.10(d), neither Borrower nor any of its Subsidiaries, as applicable, is in breach of or default in any manner that could reasonably be expected to materially affect the Products under any Material Agreement to which it is a party or may otherwise be bound, and to the knowledge of each Loan Party no circumstances or grounds exist that would give rise to a claim of breach or right of rescission, termination, non-renewal, revision or amendment of any of the Material Agreements, including the execution, delivery and performance of this Agreement and the other Loan Documents.

(e) No payments by Borrower or any of its Subsidiaries are due to any other Person in respect of the Current Company IP, other than pursuant to the Material Agreements and those fees payable to patent offices in connection with the prosecution and maintenance of the Current Company IP, any applicable taxes and associated attorney fees.

(f) Neither Borrower nor any of its Subsidiaries has undertaken or omitted to undertake any acts, and to the knowledge of each Loan Party no circumstance or grounds exist that would invalidate or reduce, in whole or in part, the enforceability or scope of (i) the Current Company IP in any manner that could reasonably be expected to materially adversely affect the Products, or (ii) in the case of Current Company IP owned or co-owned or exclusively or non-exclusively licensed by Borrower or any of its Subsidiaries, except as set forth on Schedule 5.10(f), Borrower's or Subsidiary's entitlement to own or license and exploit such Current Company IP.

(g) Except as described on Schedule 5.9 or in the most recently delivered Compliance Certificate in accordance with Section 7.1(d), there is no requested, filed pending, decided or settled opposition, interference proceeding, reissue proceeding, reexamination proceeding, inter-partes review proceeding, post-grant review proceeding, cancellation proceeding, injunction, litigation, paragraph IV patent certification or lawsuit under the Hatch-Waxman Act, hearing, investigation, complaint, arbitration, mediation, demand, International Trade Commission investigation, decree or any other dispute, disagreement, or claim, in each case alleged in writing to Borrower or any of its Subsidiaries (collectively referred to hereinafter as "Specified Disputes"), nor to the knowledge of any Loan Party, has any such Specified Dispute been threatened in writing, in each case challenging the legality, validity, enforceability or ownership of any Current Company IP, in each case that would have a material adverse effect on the Products.

(h) In each case where an issued Patent within the Current Company IP is owned or co-owned by Borrower or any of its Subsidiaries by assignment, the assignment has been duly recorded with the U.S. Patent and Trademark Office.

(i) Except as set forth on Schedule 5.10(i) or in the most recently delivered Compliance Certificate in accordance with Section 7.1(d) (provided that such disclosure made in such Compliance Certificate shall not apply to a period covered by a prior Compliance Certificate and shall not cure any default arising from any false or misleading misrepresentations and warranties when made or when deemed made), there are no pending or, to the knowledge of any Loan Party, threatened (in writing) claims against Borrower or any of its Subsidiaries alleging (i) that any research, development, manufacture, production, use, commercialization, marketing, importing, storage, transport, offer for sale, distribution or sale of the Products in the United States of America infringes or violates (or in the past infringed or violated) the rights of any third parties in or to any Intellectual Property ("Third Party IP") or constitutes a misappropriation of (or in the past constituted a misappropriation of) any Third Party IP, or (ii) that any Current Company IP is invalid or unenforceable.

(j) Except as set forth on Schedule 5.10(j), the manufacture, production, use, commercialization, marketing, importing, storage, transport, offer for sale, distribution or sale of the Products does not, to the knowledge of any Loan Party, infringe or violate any issued or registered Third Party IP (including any issued Patent within the Third Party IP) or constitute a misappropriation of any Third Party IP.

(k) Except as set forth on Schedule 5.10(k), there are no settlements, covenants not to sue, consents, judgments, orders or similar obligations which: (i) restrict the rights of Borrower or any of its Subsidiaries to use any Intellectual Property relating to the research, development, manufacture, production, use, commercialization, marketing, importing, storage, transport, offer for sale, distribution or sale of the Products (in order to accommodate any Third Party IP or otherwise), or (ii) permit any third parties to use any Company IP.

(l) Except as set forth on Schedule 5.10(l), to the knowledge of any Loan Party (i) there is no infringement or violation by any Person of any of the Company IP or the rights therein, and (ii) there is no misappropriation by any Person of any Company IP or the subject matter thereof.

(m) Borrower and each of its Subsidiaries have taken all commercially reasonable measures customary in the biopharmaceutical industry to protect the confidentiality and value of all trade secrets owned by Borrower or any of its Subsidiaries or used or held for use by Borrower or any of its Subsidiaries, in each case relating to the research, development, manufacture, production, use, commercialization, marketing, importing, storage, transport, offer for sale, distribution or sale of the Products.

(n) [Reserved].

(o) Except as described on Schedule 5.10(o), each Loan Party has all material rights with respect to Intellectual Property necessary or material in the operation or conduct of such Loan Party's business as currently conducted and proposed to be conducted by such Loan Party.

Without limiting the generality of the foregoing, and in the case of Licenses, except for restrictions that are unenforceable under Division 9 of the UCC, each Loan Party has the right, to the extent required to operate such Loan Party's business, to freely transfer, license or assign Intellectual Property owned by such Loan Party and necessary or material in the operation or conduct of such Loan Party's business as currently conducted and proposed to be conducted by such Loan Party, without condition, restriction or payment of any kind (other than license payments in the ordinary course of business) to any third party. Each Loan Party owns or has the right to use, pursuant to valid licenses, all software development tools, library functions, compilers and all other third-party software and other items that are material to such Loan Party's business and used in the design, development, promotion, sale, license, manufacture, import, export, use or distribution of Products that are material to such Loan Party's business, in each case, except customary covenants in inbound license agreements and equipment leases where such Loan Party is the licensee or lessee.

(p) No material software or other materials used by any Loan Party or any of their Subsidiaries (or used in any Products) are subject to an open-source or similar license (including but not limited to the General Public License, Lesser General Public License, Mozilla Public License, or Affero License) in a manner that would cause such software or other materials to have to be (i) distributed to third parties at no charge or a minimal charge (royalty-free basis); (ii) licensed to third parties to modify, make derivative works based on, decompile, disassemble, or reverse engineer; or (iii) used in a manner that requires disclosure or distribution in source code form.

5.11 Products. Except as set forth on Schedule 5.11, at the time of any shipment of Products in the United States of America occurring prior to the Closing Date, the units thereof so shipped complied with their relevant specifications and were manufactured in all material respects in accordance with the current FDA Good Manufacturing Practices.

5.12 Financial Accounts. Exhibit D, as may be updated by Borrower in a written notice provided to Agent after the Closing Date, is a true, correct and complete list of (a) all banks and other financial institutions at which Borrower or any Subsidiary maintains Deposit Accounts and (b) all institutions at which Borrower or any Subsidiary maintains an account holding Investment Property, and such exhibit correctly identifies the name, address and telephone number of each bank or other institution, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

5.13 Employee Loans. Except for Permitted Investments, no Loan Party has outstanding loans to any employee, officer or director of such Loan Party nor has any Loan Party guaranteed the payment of any loan made to an employee, officer or director of such Loan Party by a third party.

5.14 Capitalization and Subsidiaries. The capitalization of each Subsidiary as of the Closing Date is set forth on Schedule 5.14 annexed hereto. No Loan Party owns any stock, partnership interest or other securities of any Person, except for Permitted Investments. Attached as Schedule 5.14, as may be updated by the Loan Parties in a written notice provided after the Closing Date (including any Compliance Certificate), is a true, correct and complete list of each Subsidiary.

SECTION 6. INSURANCE; INDEMNIFICATION

6.1 Coverage. Borrower shall cause to be carried and maintained commercial general liability insurance covering Borrower and each of its Subsidiaries, on an occurrence form, against risks customarily insured against in Borrower's line of business. Such risks shall include the risks of bodily injury, including death, property damage, personal injury, advertising injury, and contractual liability per the terms of the indemnification agreement found in Section 6.3. Borrower must maintain a minimum of \$1,000,000 of commercial general liability insurance for each occurrence. Borrower has and agrees to maintain a minimum of \$2,000,000 of directors' and officers' insurance for each occurrence and \$5,000,000 in the aggregate. So long as there are any Secured Obligations outstanding, but subject to the post-Closing period set forth in Section 4.4, Borrower shall also cause to be carried and maintained insurance upon the Collateral, insuring against all risks of physical loss or damage howsoever caused, in an amount not less than the full replacement cost of the Collateral, provided that such insurance may be subject to standard exceptions and deductibles. If Borrower fails to obtain the insurance called for by this Section 6.1 or fails to pay any premium thereon or fails to pay any other amount which Borrower is obligated to pay under this Agreement or any other Loan Document or which may be required to preserve the Collateral, Agent may obtain such insurance or make such payment, and all amounts so paid by Agent are immediately due and payable, bearing interest at the then highest rate applicable to the Secured Obligations, and secured by the Collateral. Agent will make reasonable efforts to provide Borrower with notice of Agent obtaining such insurance at the time it is obtained or within a reasonable time thereafter. No payments by Agent are deemed an agreement to make similar payments in the future or Agent's waiver of any Event of Default.

6.2 Certificates. Borrower shall deliver to Agent certificates of insurance that evidence compliance with its insurance obligations in Section 6.1 (subject to Section 4.4) and the obligations contained in this Section 6.2. Borrower's insurance certificate shall reflect Agent (shown as "Hercules Capital, Inc., as Agent", and its successors and/or assigns) as an additional insured for commercial general liability, a lenders loss payable for all risk property damage insurance, subject to the insurer's approval, and a lenders loss payable for property insurance and additional insured for any future liability insurance that Borrower may acquire from such insurer. Attached to the certificates of insurance will be additional insured endorsements for liability and lender's loss payable endorsements for all risk property damage insurance. All certificates of insurance will provide for a minimum of thirty (30) days' advance written notice to Agent of cancellation (other than cancellation for non-payment of premiums, for which ten (10) days' advance written notice shall be sufficient) or any other change adverse to Agent's interests. Any failure of Agent to scrutinize such insurance certificates for compliance is not a waiver of any of Agent's rights, all of which are reserved. Borrower shall provide Agent with copies of each insurance policy, and upon entering or amending any insurance policy required hereunder, Borrower shall provide Agent with copies of such policies and shall promptly deliver to Agent updated insurance certificates with respect to such policies.

6.3 Indemnity. Each Loan Party agrees to indemnify and hold Agent, the Lenders and their officers, directors, employees, agents, in-house attorneys, representatives and shareholders (each, an "Indemnified Person") harmless from and against any and all claims, costs, expenses, damages and liabilities (including such claims, costs, expenses, damages and liabilities based on liability in tort, including strict liability in tort), including reasonable and documented out-of-pocket attorneys' fees and disbursements and other costs of investigation or defense (including those incurred upon any appeal) (collectively, "Liabilities"), that may be instituted or asserted against or incurred by such Indemnified Person as the result of credit having been extended, suspended or terminated under this Agreement and the other Loan Documents or the administration of such credit, or in connection with or arising out of the transactions contemplated

hereunder and thereunder, or any actions or failures to act in connection therewith, or arising out of the disposition or utilization of the Collateral, excluding in all cases Liabilities to the extent resulting solely from any Indemnified Person's gross negligence or willful misconduct. This Section 6.3 shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim. In no event shall any Indemnified Person be liable on any theory of liability for any special, indirect, consequential or punitive damages (including any loss of profits, business or anticipated savings). This Section 6.3 shall survive the repayment of indebtedness under, and otherwise shall survive the expiration or other termination of, this Agreement.

SECTION 7. COVENANTS

Borrower agrees as follows:

7.1 Financial Reports. Borrower shall furnish to Agent the financial statements and reports listed hereinafter (the "Financial Statements"):

(a) within thirty (30) days after the end of each month (other than the third month of any calendar quarter), a management report containing a balance sheet and related statement of income, all certified by a Responsible Officer to the effect that they have been prepared in accordance with GAAP, except (i) for the absence of footnotes, (ii) that they are subject to normal year-end or quarter-end adjustments, and (iii) they do not contain certain non-cash items or other related adjustments that are customarily included in quarterly and annual financial statements;

(b) within forty-five (45) days after the end of each calendar quarter, unaudited interim and year-to-date financial statements as of the end of such calendar quarter (prepared on a consolidated basis), including balance sheet and related statements of income and cash flows accompanied by a report detailing any material litigation by or against Borrower in the form attached as Exhibit K, certified by a Responsible Officer to the effect that they have been prepared in accordance with GAAP, except (i) for the absence of footnotes, and (ii) that they are subject to normal year-end adjustments;

(c) within ninety (90) days after the end of each fiscal year, unqualified (other than as to going concern qualification) audited financial statements as of the end of such year (prepared on a consolidated basis), including balance sheet and related statements of income and cash flows, and setting forth in comparative form the corresponding figures for the preceding fiscal year, certified by a firm of independent certified public accountants selected by Borrower and reasonably acceptable to Agent (it being understood that PricewaterhouseCoopers LLP or any other firm of national standing is acceptable to Agent), accompanied by (i) any management report from such accountants and (ii) a report detailing any material litigation by or against Borrower in the form attached as Schedule 7.1(b);

(d) Borrower will furnish to Agent concurrently with the delivery of financial statements pursuant to subsections (a), (b) and (c) of this Section 7.1, a Compliance Certificate in the form of Exhibit E;

(e) [reserved];

(f) promptly after the sending or filing thereof, as the case may be, copies of any proxy statements, financial statements or reports that Borrower has made available to holders of its preferred stock and copies of any regular, periodic and special reports or registration statements that Borrower files with the Securities and Exchange Commission or any governmental authority that may be substituted therefor, or any national securities exchange;

(g) [reserved];

(h) financial and business projections within sixty (60) days following the end of Borrower's fiscal year, as well as budgets, operating plans (which shall include T3M Net Product Revenue projections of such fiscal year) and other financial information reasonably requested by Agent;

(i) prompt (and in any event within three (3) Business Days) notice if Borrower or any Subsidiary has knowledge that Borrower, or any Subsidiary or Affiliate of Borrower, is listed on the OFAC Lists or (a) is convicted on, (b) pleads *nolo contendere* to, (c) is indicted on, or (d) is arraigned and held over on charges involving money laundering or predicate crimes to money laundering;

(j) insurance renewal statements, annually or otherwise promptly upon renewal of insurance policies required to be maintained in accordance with Section 6.1; and

(k) promptly upon the preparation of any proposed, definitive investment policy, or upon the preparation of any update to any existing investment policy, Borrower will furnish to Agent a copy of such investment policy or such update to any existing investment policy.

Borrower shall not (without the consent of Agent, such consent not to be unreasonably withheld or delayed), make any change in its (a) accounting policies or reporting practices, except as required by GAAP or pursuant to applicable securities laws or regulations of the Securities and Exchange Commission or (b) fiscal years or fiscal quarters. The fiscal year of Borrower shall end on December 31.

The executed Compliance Certificate and all Financial Statements or other information required to be delivered pursuant to clauses (a), (b), (c) and (d) above may be sent via e-mail to [***] with a copy to [***], [***] and [***], provided, that if e-mail is not available or sending such Financial Statements via e-mail is not possible, they shall be faxed to Agent at: [***], attention Account Manager: Madrigal Pharmaceuticals, Inc.

Notwithstanding the foregoing, documents required to be delivered under Sections 7.1(a), (b), (c) or (f) above (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which Borrower makes such documents or materials publicly available.

7.2 Management Rights. Borrower shall permit any representative that Agent or the Lenders authorizes, including its attorneys and accountants, to inspect the Collateral and examine and make copies and abstracts of the books of account and records of Borrower at reasonable times and upon reasonable notice during normal business hours; provided, however, that so long as no Event of Default has occurred and is continuing, such examinations shall be limited to no more often than once per fiscal year. In addition, any such representative shall have the right to meet with management and officers of Borrower to discuss such books of account and records at reasonable times and upon reasonable notice. In addition, Agent or the Lenders shall be entitled at reasonable times and intervals, and upon reasonable notice, to consult with and advise the management and officers of Borrower concerning significant business issues affecting Borrower.

Such consultations shall not unreasonably interfere with Borrower's business operations. The parties intend that the rights granted Agent and the Lenders shall constitute "management rights" within the meaning of 29 C.F.R. Section 2510.3-101(d)(3)(ii), but that any advice, recommendations or participation by Agent or the Lenders with respect to any business issues shall not be deemed to give Agent or the Lenders, nor be deemed an exercise by Agent or the Lenders of, control over Borrower's management or policies.

7.3 Further Assurances. Borrower shall, and shall cause each other Loan Party to, from time to time execute, deliver and file, alone or with Agent, any financing statements, security agreements, collateral assignments, notices, control agreements, promissory notes or other documents to perfect, give the highest priority to Agent's Lien on the Collateral (subject to Permitted Liens) or otherwise evidence Agent's rights herein, in each case, as requested by Agent. Borrower shall from time to time procure any instruments or documents as may be reasonably requested by Agent, and take all further action that may be necessary, or that Agent may reasonably request, to perfect and protect the Liens granted hereby or pursuant to applicable Loan Documents. In addition, and for such purposes only, Borrower hereby authorizes Agent to execute and deliver on behalf of Borrower and to file such financing statements (including an indication that the financing statement covers "all assets or all personal property" of Borrower in accordance with Section 9-504 of the UCC), without the signature of Borrower either in Agent's name or in the name of Agent as agent and attorney-in-fact for Borrower. Borrower shall, and shall cause each other Loan Party to, reasonably protect and defend its title to the Collateral and Agent's Lien thereon against all Persons claiming any interest adverse to Borrower or Agent other than Permitted Liens.

7.4 Indebtedness. Borrower shall not create, incur, assume, guarantee or be or remain liable with respect to any Indebtedness, and shall not permit any Subsidiary to do so, other than Permitted Indebtedness, or prepay any Indebtedness or take any actions which impose on Borrower an obligation to prepay any Indebtedness, except for (a) the conversion of Indebtedness into equity securities and the payment of cash in lieu of fractional shares in connection with such conversion, (b) purchase money Indebtedness pursuant to its then applicable payment schedule, (c) prepayment (i) by any Loan Party or Subsidiary of intercompany Indebtedness owed to Borrower, or (ii) by any Subsidiary that is not a Loan Party of intercompany Indebtedness owed by such Subsidiary to another Subsidiary that is not a Loan Party, (d) Indebtedness to trade creditors in the ordinary course of business, (e) refinancings or replacements of Indebtedness described in clause (xv) of the defined term "Permitted Indebtedness", (f) Indebtedness owed under corporate credit cards to the extent constituting Permitted Indebtedness, or (g) as otherwise permitted hereunder or approved in writing by Agent.

7.5 Collateral. Borrower shall, and shall cause each other Loan Party to, at all times keep the Collateral, the Intellectual Property and all other property and assets used in Borrower's or any Loan Party's business or in which Borrower or any Loan Party now or hereafter holds any interest free and clear from any Liens whatsoever (except for Permitted Liens), and shall give Agent prompt written notice of any legal process affecting the Collateral, the Intellectual Property, such other property or assets, or any Liens thereon, provided however, that the Collateral and such other property or assets may be subject to Permitted Liens. Without limiting the next sentence, Borrower shall not, and shall cause each other Loan Party not to, agree with any Person other than Agent or the Lenders not to encumber its property. Borrower shall not, and shall cause each other Loan Party not to, enter into or suffer to exist or become effective any agreement that prohibits or limits the ability of Borrower or any Loan Party to create, incur, assume or suffer to exist any Lien upon any of its property (including Intellectual Property), whether now owned or hereafter

acquired, to secure its obligations under the Loan Documents to which it is a party other than (a) this Agreement and the other Loan Documents, (b) any agreements governing any purchase money Liens or capital lease obligations otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective against the assets financed thereby), (c) customary restrictions on the assignment of leases, licenses and other agreements, (d) any agreements governing accounts described in clauses (i) and (ii) of the definition of Excluded Accounts and the assets contained therein and (e) any agreements governing Permitted Royalty Transactions so long as such prohibitions and limitations are limited solely to clause (xv) of the defined term "Permitted Liens". Borrower and each Loan Party shall cause each of their Subsidiaries to reasonably protect and defend such Subsidiary's title to its assets from and against all Persons claiming any interest adverse to such Subsidiary, and Borrower and each Loan Party shall cause each of their Subsidiaries at all times to keep such Subsidiary's property and assets free and clear from any Liens whatsoever (except for Permitted Liens), and shall give Agent prompt written notice of any judicial proceeding affecting such Subsidiary's assets to the extent such judicial proceeding is reasonably likely to result in damages, expenses or liabilities in excess of [***].

7.6 Investments. Borrower shall not directly or indirectly acquire or own, or make any Investment in or to any Person, or permit any of its Subsidiaries to do so, other than Permitted Investments.

7.7 Distributions. Borrower shall not, nor shall it permit any Subsidiary to, (a) repurchase or redeem any class of shares, stock or other Equity Interest other than (i) repurchases of stock of Borrower from former employees, directors, or consultants of Borrower under the terms of applicable repurchase agreements at the original issuance price of such securities in an aggregate amount not to exceed \$500,000 in any fiscal year, provided that no Event of Default has occurred, is continuing or could exist after giving effect to the repurchases, or (ii) the conversion of any of its convertible securities into other securities pursuant to the terms of such convertible securities or otherwise in exchange thereof, including the delivery of the conversion consideration in connection therewith in the form of common stock of Madrigal and cash in lieu of fractional shares; (b) declare or pay any cash dividend or make a cash distribution on any class of stock or other Equity Interest, except that a Subsidiary of Borrower may pay dividends or make distributions to Borrower or a Subsidiary of Borrower; (c) except for Permitted Investments, lend money to any employees, officers or directors or guarantee the payment of any such loans granted by a third party in excess of \$100,000 in the aggregate; or (d) waive, release or forgive any Indebtedness owed by any employees, officers or directors in excess of \$100,000 in the aggregate.

7.8 Transfers. Except for Permitted Transfers, Borrower shall not, and shall not permit any Subsidiary to, voluntarily or involuntarily transfer, sell, lease, license, lend or in any other manner convey any equitable, beneficial or legal interest in any material portion of its assets (including Cash).

7.9 Mergers and Consolidations. Borrower shall not (a) merge or consolidate, nor permit any of its Subsidiaries to merge or consolidate, with or into any other business organization, other than mergers or consolidations of (i) a Subsidiary which is not a Loan Party into another Subsidiary or into a Loan Party, or (ii) a Loan Party into another Loan Party (provided that Borrower shall be the surviving entity in any transaction involving Borrower) or (b) except for Permitted Investments, acquire, or permit any of its Subsidiaries to acquire, in each case including for the avoidance of doubt through a merger, purchase, in-licensing arrangement or any similar transaction, all or substantially all of the capital stock or property of another Person; provided however, that Borrower shall be permitted to enter into Permitted Acquisitions.

7.10 Taxes. Borrower shall, and shall cause each of its Subsidiaries to, pay when due all material Taxes of any nature whatsoever now or hereafter imposed or assessed against Borrower or such Subsidiary or the Collateral or upon Borrower's (or such Subsidiary's) ownership, possession, use, operation or disposition thereof or upon Borrower's (or such Subsidiary's) rents, receipts or earnings arising therefrom. Borrower shall, and shall cause each of its Subsidiaries to, accurately file on or before the due date therefor (taking into account proper extensions) all federal and state income Tax returns and other material Tax returns required to be filed. Notwithstanding the foregoing, Borrower and its Subsidiaries may contest, in good faith and by appropriate proceedings diligently conducted, Taxes for which Borrower and its Subsidiaries maintain adequate reserves in accordance with GAAP.

7.11 Certain Changes. Neither Borrower nor any Subsidiary shall change its jurisdiction of organization, organizational form or legal name without twenty (20) days' prior written notice to Agent. Neither Borrower nor any Subsidiary shall suffer a Change in Control. Neither Borrower nor any Domestic Subsidiary shall relocate its chief executive office or its principal place of business unless: (i) it has provided prior written notice to Agent; and (ii) such relocation shall be within the continental United States of America. Neither Borrower nor any Subsidiary shall relocate any item of Collateral (other than (w) transfers of Inventory within the supply chain and to and from clinical sites, in each case, in the ordinary course of business, (x) distribution and sales of Inventory in the ordinary course of business, (y) relocations of purchased Fibroscan Equipment to and from clinical sites or other Equipment having an aggregate value of up to \$150,000 in any fiscal year, and (z) relocations of Collateral from a location described on Exhibit B to another location described on Exhibit B) unless (i) it has provided prompt written notice to Agent, (ii) such relocation is within the continental United States of America and, (iii) if such relocation is to a third party bailee, it has delivered a bailee agreement in form and substance reasonably acceptable to Agent.

7.12 Deposit Accounts. Neither Borrower nor any Subsidiary shall maintain any Deposit Accounts, or accounts holding Investment Property, except (i) with respect to which Agent has an Account Control Agreement and (ii) any Excluded Accounts, provided that no Deposit Accounts held by a Foreign Subsidiary or an Immaterial Subsidiary shall have balance in excess of \$250,000, or \$750,000 in the aggregate for all such Excluded Accounts.

7.13 Joinder of Subsidiaries. Borrower shall notify Agent of each Subsidiary formed or acquired subsequent to the Closing Date and, within twenty (20) days of formation or acquisition, shall cause any such Subsidiary which is not a Foreign Subsidiary to execute and deliver to Agent a Joinder Agreement or, if requested by Agent, a Guaranty and appropriate collateral security documents to secure the obligations pursuant to such Guaranty; provided, however, that such joinder shall not be required (i) of any Immaterial Subsidiary, (ii) of any Domestic Subsidiary which is not wholly-owned directly or indirectly by Borrower or one or more Domestic Subsidiaries, or (iii) if Agent determines (in its sole discretion) that the benefit from the entry into such Joinder Agreement is outweighed by the undue burden and expense to Borrower. For the avoidance of doubt, Borrower may, at its option, cause any Foreign Subsidiary to execute and deliver to Agent a Joinder Agreement or, if requested by Agent in connection with Borrower's election of such option, a Guaranty and appropriate collateral security documents to secure obligations pursuant to such Guaranty.

7.14 [RESERVED]

7.15 Notification of Event of Default. Borrower shall notify Agent promptly (and in any event within two (2) Business Days) after becoming aware of the occurrence of any Event of Default.

7.16 Regulatory and Product Notices. Borrower shall within three (3) Business Days after the receipt or occurrence thereof notify Agent of:

(a) any written notice from a governmental authority received by Borrower or its Subsidiaries alleging potential or actual violations of any Public Health Law by Borrower or its Subsidiaries;

(b) any written notice from a governmental authority that the FDA (or international equivalent) is limiting, suspending or revoking any Registration (including, but not limited to, by the issuance of a clinical hold);

(c) any written notice from a governmental authority that Borrower or its Subsidiaries has become subject to any Regulatory Action;

(d) the exclusion or debarment from any governmental healthcare program or debarment or disqualification by FDA (or international equivalent) of Borrower or its Subsidiaries or its or their authorized officers;

(e) any notice from a governmental authority that Borrower or any Subsidiary, or any of their licensees or sublicensees (including licensees or sublicensees under any Material Agreement), is being investigated or is the subject of any allegation of potential or actual violations of any Federal Health Care Program Laws;

(f) any written notice from a governmental authority that any product of Borrower or its Subsidiaries has been seized, withdrawn, recalled, detained, or subject to a suspension of manufacturing, or the commencement of any proceedings in the United States of America or any other jurisdiction seeking the withdrawal, recall, suspension, import detention, or seizure of any Product are pending or threatened in writing against Borrower or its Subsidiaries; or

(g) narrowing or limiting the scope of marketing authorization or the labeling of the Products of Borrower and its Subsidiaries under any such Registration, it being understood that the Approval Milestone is contingent on a label claim that is generally consistent with or generally as favorable as what Borrower sought for one dose of Resmetirom in its New Drug Application (as determined by Agent in its reasonable discretion).

except, in each case of (a) through (g) above, where such action would not reasonably be expected to have, either individually or in the aggregate, Material Regulatory Liabilities.

7.17 Use of Proceeds. Borrower agrees that the proceeds of the Loans shall be used solely to pay related fees and expenses in connection with this Agreement and for working capital and general corporate purposes. The proceeds of the Loans will not be used in violation of Anti-Corruption Laws or applicable Sanctions.

7.18 Material Agreement. Borrower shall not, without the consent of Agent, terminate, or amend in a manner materially adverse to the Lenders, the Roche Agreement. Borrower shall give prompt written notice to Agent of entering into a Material Agreement or terminating or amending in a manner materially adverse to the Lenders a Material Agreement. Notwithstanding the foregoing, any notices required to be delivered under this Section 7.18 (to the extent any such documents are included in materials otherwise filed with the Securities and Exchange Commission) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which Borrower makes such documents or materials publicly available.

7.19 Compliance with Laws.

(a) Borrower shall maintain, and shall cause each of its Subsidiaries to maintain, compliance in all material respects with all applicable laws, rules or regulations (including any law, rule or regulation with respect to the making or brokering of loans or financial accommodations), and shall, or cause its Subsidiaries to, obtain and maintain all required governmental authorizations, approvals, licenses, franchises, permits or registrations reasonably necessary in connection with the conduct of Borrower's business. Borrower shall not become an "investment company" or a company controlled by an "investment company", under the Investment Company Act of 1940, as amended, or undertake as one of its important activities extending credit to purchase or carry margin stock (as defined in Regulation X, T and U of the Federal Reserve Board of Governors).

(b) Neither Borrower nor any of its Subsidiaries shall, nor shall Borrower or any of its Subsidiaries permit any Affiliate to, directly or indirectly, knowingly enter into any documents, instruments, agreements or contracts with any Person listed on the OFAC Lists. Neither Borrower nor any of its Subsidiaries shall, nor shall Borrower or any of its Subsidiaries, permit any Affiliate to, directly or indirectly, (i) conduct any business or engage in any transaction or dealing with any Blocked Person, including, without limitation, the making or receiving of any contribution of funds, goods or services to or for the benefit of any Blocked Person, (ii) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to Executive Order No. 13224 or any similar executive order or other Anti-Terrorism Law, or (iii) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in Executive Order No. 13224 or other Anti-Terrorism Law.

(c) Borrower has implemented and shall maintain in effect policies and procedures designed to ensure compliance by Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and Borrower, its Subsidiaries and their respective officers and employees and to the knowledge of Borrower its directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects.

(d) Neither Borrower, nor any of its Subsidiaries nor any of their respective directors, officers or employees, or to the knowledge of Borrower, any agent for Borrower or any of its Subsidiaries that shall act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person. No Loan, use of proceeds or other transaction contemplated by this Agreement shall violate Anti-Corruption Laws or applicable Sanctions.

7.20 Financial Covenants.

(a) Minimum Cash. Beginning on January 1, 2023, Borrower shall at all times maintain Unrestricted Cash in an amount not less than \$35,000,000; provided that, upon (i) achievement of the Approval Milestone and (ii) the effectiveness of the covenant set forth in Section 7.20(b), Borrower shall at all times maintain Unrestricted Cash in an amount not less than the greater of (A) \$25,000,000 and (B) 20% of the aggregate outstanding principal amount of the Term Loans (it being understood that in no event shall the dollar amount in this clause (B) be greater than \$35,000,000).

(b) Performance Covenant. Beginning on the date upon which financial statements pursuant to Section 7.1(a) are required to be delivered for the period ending September 30, 2024, tested on a monthly basis from and after such date, Borrower's T3M Net Product Revenue shall be [***]. Notwithstanding the foregoing, this Section 7.20(b) shall be waived for any particular month to the extent that Borrower maintains either (x) a Market Capitalization (measured on an average basis for the five (5) market trading days prior to the end of such month) of at least \$1,200,000,000 or (y) Unrestricted Cash in an amount not less than 75% of the aggregate outstanding principal amount of the Term Loans at all times during the maintenance period beginning on the first day of such month through and including the date that is five (5) Business Days prior to the date on which Borrower has delivered the financial statements and the Compliance Certificate for such month in accordance with Sections 7.1(a), (b) and (d) to Agent. For the avoidance of doubt, if Borrower fails to so maintain either the Market Capitalization or Unrestricted Cash in the amounts required pursuant to the preceding sentence, then Borrower shall be required to comply with the minimum net product revenue requirements of this Section 7.20(b) for such month).

7.21 Intellectual Property. Borrower shall, and shall cause each other Loan Party to, (i) reasonably protect, defend and maintain the validity and enforceability of the Company IP material to Borrowers' business; (ii) promptly upon a Responsible Officer having actual knowledge thereof, advise Agent in writing of material infringements of Company IP; and (iii) not allow any Company IP material to Borrowers' business to be abandoned, forfeited or dedicated to the public (other than Permitted Transfers) without Agent's written consent.

7.22 Transactions with Affiliates. Borrower shall not, and shall not permit any Subsidiary to, directly or indirectly, enter into or permit to exist any transaction of any kind with any Affiliate of Borrower or such Subsidiary on terms that are less favorable to Borrower or such Subsidiary, as the case may be, than those that might be obtained in an arm's length transaction from a Person who is not an Affiliate of Borrower or such Subsidiary, other than (i) consulting payments (excluding board and committee fees and equity compensation as publicly disclosed or approved by the Board) to members of Borrower's Board in an amount not to exceed \$60,000 in any fiscal year and (ii) transactions between Borrower and its Subsidiaries.

SECTION 8. RIGHT TO INVEST

8.1 Borrower shall give timely prior written notice to Agent of each Subsequent Financing and shall use commercially reasonable efforts to permit the Lenders or their Affiliates, or the assignees or nominees of the Lenders or their Affiliates, to participate in such Subsequent Financings in an aggregate amount of up to Five Million Dollars (\$5,000,000) (with respect to all such Subsequent Financings) on substantially the same terms, conditions and pricing afforded to others participating in any such Subsequent Financing (subject to compliance with applicable securities laws and regulations). This Section 8.1, and all rights and obligations granted hereunder, shall automatically terminate upon the earliest to occur of (a) termination of the security interest granted pursuant to Section 3.1 of this Agreement, (b) such time that the Lenders or their Affiliates, or the assignees or nominees of the Lenders or their Affiliates, have purchased Five Million Dollars (\$5,000,000) of Madrigal's Equity Interests in the aggregate pursuant to the preceding sentence in prior Subsequent Financings, and (c) Borrower has previously extended two (2) such offers to permit the Lenders or their Affiliates, or the assignees or nominees of the Lenders or their Affiliates, to participate in Subsequent Financings.

SECTION 9. EVENTS OF DEFAULT

The occurrence of any one or more of the following events shall be an event of default (each, an “Event of Default”):

9.1 Payments. A Loan Party fails to pay any amount due under this Agreement or any of the other Loan Documents on the applicable due date; provided, however, that an Event of Default shall not occur on account of a failure to pay due solely to an administrative or operational error of Agent or the Lenders or Borrower’s bank if Borrower had the funds to make the payment when due and makes the payment within three (3) Business Days following Borrower’s knowledge of such failure to pay; or

9.2 Covenants. A Loan Party breaches or defaults in the performance of any covenant or Secured Obligation under this Agreement, or any of the other Loan Documents or any other agreement among any Loan Party, Agent and the Lenders, and (a) with respect to a default under any covenant under this Agreement (other than under Sections 6 and 7), any other Loan Document, or any other agreement among Borrower, Agent and the Lenders, such default continues for more than fifteen (15) days after the earlier of the date on which (i) Agent or the Lenders has given notice of such default to Borrower and (ii) Borrower has actual knowledge of such default or (b) with respect to a default under any of Sections 6 and 7, the occurrence of such default; or

9.3 Material Adverse Effect. A circumstance has occurred that could reasonably be expected to have a Material Adverse Effect; provided that, solely for purposes of this Section 9.3, the failure to achieve the Clinical Milestone or the Approval Milestone shall not in and of itself constitute a Material Adverse Effect under this Section 9.3; or

9.4 Representations. Any representation or warranty made by any Loan Party in any Loan Document shall have been false or misleading in any material respect when made or when deemed made; or

9.5 Insolvency. (a) Any Loan Party (i) shall make an assignment for the benefit of creditors; or (ii) shall be unable to pay its debts as they become due or be unable to pay or perform under the Loan Documents, or shall become insolvent; or (iii) shall file a voluntary petition in bankruptcy; or (iv) shall file any petition, answer, or document seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation pertinent to such circumstances; or (v) shall seek or consent to or acquiesce in the appointment of any trustee, receiver, or liquidator of any Loan Party or of all or any substantial part (i.e., 33-1/3% or more) of the assets or property of any Loan Party; or (vi) shall cease operations of its business as its business has normally been conducted, or terminate substantially all of its employees; or (b) any Loan Party or its directors or a majority of the holders of its Equity Interests shall take any action initiating any of the foregoing actions described in clauses (a)(i) through (a)(vi); or (c) either (i) forty-five consecutive (45) days shall have expired after the commencement of an involuntary action against any Loan Party seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, without such action being dismissed or

all orders or proceedings thereunder affecting the operations or the business of any Loan Party being stayed; or (ii) a stay of any such order or proceedings shall thereafter be set aside and the action setting it aside shall not be timely appealed; or (iii) any Loan Party shall file any answer admitting or not contesting the material allegations of a petition filed against such Loan Party in any such proceedings; or (iv) the court in which such proceedings are pending shall enter a decree or order granting the relief sought in any such proceedings; or (v) forty-five consecutive (45) days shall have expired after the appointment, without the consent or acquiescence of any Loan Party, of any trustee, receiver or liquidator of such Loan Party or of all or any substantial part of the properties of such Loan Party without such appointment being vacated; or

9.6 Attachments; Judgments. Any portion of any Loan Party's assets is attached or seized, or a levy is filed against any such assets, or a judgment or judgments is/are entered for the payment of money (not covered by independent third party insurance as to which liability has not been rejected by such insurance carrier), individually or in the aggregate, of at least [***], or any Loan Party is enjoined or in any way prevented by court order from conducting any part of its business; or

9.7 Other Obligations.

(a) The occurrence of any default in the payment of any Indebtedness (other than amounts owing under the Loan Documents) under any agreement or obligation of any Loan Party involving Indebtedness in excess of [***]; or

(b) There is, under any agreement to which any Loan Party is a party with a third party or parties, any default resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount individually or in the aggregate in excess of [***]; or

9.8 The occurrence of any default under (i) the Roche Agreement that permits the counterparty thereto to terminate the Roche Agreement or (ii) any other Material Agreement that permits the counterparty thereto to terminate such Material Agreement or accelerate payments owed thereunder in excess of the amount set forth on Schedule 9.8.

SECTION 10. REMEDIES

10.1 General. Upon the occurrence and during the continuation of any one or more Events of Default, Agent may, and at the direction of the Required Lenders shall, accelerate and demand payment of all or any part of the Secured Obligations together with a Prepayment Charge and declare them to be immediately due and payable (provided, that upon the occurrence and continuation of an Event of Default of the type described in Section 9.5, all of the Secured Obligations (including, without limitation, the Prepayment Charge and the End of Term Charge) shall automatically be accelerated and made due and payable, in each case without any further notice or act). Borrower hereby irrevocably appoints Agent as its lawful attorney-in-fact to: exercisable following the occurrence and during the continuation of an Event of Default, (i) sign Borrower's name on any invoice or bill of lading for any account or drafts against account debtors or endorse Borrower's name on any checks, payment instruments, or other forms of payment or security; (ii) demand, collect, sue, and give releases to any account debtor for monies due, settle and adjust disputes and claims about the accounts directly with account debtors, and compromise, prosecute, or defend any action, claim, case, or proceeding about any Collateral (including filing a claim or voting a claim in any bankruptcy case in Agent's or Borrower's name,

as Agent may elect); (iii) make, settle, and adjust all claims under Borrower's insurance policies; (iv) pay, contest or settle any Lien, charge, encumbrance, security interest, or other claim in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; (v) transfer the Collateral into the name of Agent or a third party as the UCC permits; (vi) receive, open and dispose of mail addressed to Borrower and (vii) notify all account debtors to pay Agent directly. Borrower hereby appoints Agent as its lawful attorney-in-fact to sign Borrower's name on any documents necessary to perfect or continue the perfection of Agent's security interest in the Collateral regardless of whether an Event of Default has occurred until all Secured Obligations (other than any inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement) have been satisfied in full and the Loan Documents (other than the Warrants) have been terminated. Agent's foregoing appointment as Borrower's attorney in fact, and all of Agent's rights and powers, coupled with an interest, are irrevocable until all Secured Obligations (other than any inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement) have been fully repaid and performed and the Loan Documents (other than the Warrants) have been terminated. Upon the occurrence and during the continuation of an Event of Default, Agent may, and at the direction of the Required Lenders shall, exercise all rights and remedies with respect to the Collateral under the Loan Documents or otherwise available to it under the UCC and other applicable law, including the right to release, hold, sell, lease, liquidate, collect, realize upon, or otherwise dispose of all or any part of the Collateral and the right to occupy, utilize, process and commingle the Collateral. All Agent's rights and remedies shall be cumulative and not exclusive.

10.2 Collection; Foreclosure. Upon the occurrence and during the continuance of any Event of Default, Agent may, and at the direction of the Required Lenders shall, at any time or from time to time, apply, collect, liquidate, sell in one or more sales, lease or otherwise dispose of, any or all of the Collateral, in its then condition or following any commercially reasonable preparation or processing, in such order as Agent may elect. Any such sale may be made either at public or private sale at its place of business or elsewhere. Borrower agrees that any such public or private sale may occur upon ten (10) calendar days' prior written notice to Borrower. Agent may require Borrower to assemble the Collateral and make it available to Agent at a place designated by Agent that is reasonably convenient to Agent and Borrower. The proceeds of any sale, disposition or other realization upon all or any part of the Collateral shall be applied by Agent in the following order of priorities:

First, to Agent and the Lenders in an amount sufficient to pay in full Agent's and the Lenders' reasonable costs and professionals' and advisors' fees and expenses as described in Section 11.12;

Second, to the Lenders, ratably, in an amount equal to the then unpaid amount of the Secured Obligations (including principal and interest, including, for the avoidance of doubt, any interest required to be paid pursuant to Section 2.4), in such order and priority as Agent may choose in its sole discretion; and

Finally, after the full and final payment in Cash of all of the Secured Obligations (other than inchoate obligations), to any creditor holding a junior Lien on the Collateral, or to Borrower or its representatives or as a court of competent jurisdiction may direct.

Agent shall be deemed to have acted reasonably in the custody, preservation and disposition of any of the Collateral if it complies with the obligations of a secured party under the UCC.

10.3 No Waiver. Agent shall be under no obligation to marshal any of the Collateral for the benefit of Borrower or any other Person, and Borrower expressly waives all rights, if any, to require Agent to marshal any Collateral.

10.4 Cumulative Remedies. The rights, powers and remedies of Agent hereunder shall be in addition to all rights, powers and remedies given by statute or rule of law and are cumulative. The exercise of any one or more of the rights, powers and remedies provided herein shall not be construed as a waiver of or election of remedies with respect to any other rights, powers and remedies of Agent.

SECTION 11. MISCELLANEOUS

11.1 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective only to the extent and duration of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

11.2 Notice. Except as otherwise provided herein, any notice, demand, request, consent, approval, declaration, service of process or other communication (including the delivery of Financial Statements) that is required, contemplated, or permitted under the Loan Documents or with respect to the subject matter hereof shall be in writing, and shall be deemed to have been validly served, given, delivered, and received upon the earlier of: (i) the day of transmission by electronic mail or hand delivery or delivery by an overnight express service or overnight mail delivery service; or (ii) the third calendar day after deposit in the United States of America mails, with proper first class postage prepaid, in each case addressed to the party to be notified as follows:

- (a) If to Agent:

HERCULES CAPITAL, INC.
Legal Department
Attention: Chief Legal Officer and Bryan Jadot
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301
email: [***]
Telephone: [***]

- (b) If to the Lenders:

HERCULES CAPITAL, INC.
HERCULES PRIVATE CREDIT FUND 1 L.P.
HERCULES PRIVATE GLOBAL VENTURE GROWTH FUND I L.P.
Legal Department
Attention: Chief Legal Officer and Bryan Jadot
400 Hamilton Avenue, Suite 310
Palo Alto, CA 94301
email: [***]
Telephone: [***]

(c) If to Borrower:

Madrigal Pharmaceuticals, Inc.
Attention: Brian Lynch, General Counsel
Four Tower Bridge
200 Barr Harbor Drive, Suite 200
West Conshohocken, PA 19428
email: [***]
Telephone: [***]

or to such other address as each party may designate for itself by like notice.

11.3 Entire Agreement; Amendments.

(a) This Agreement and the other Loan Documents constitute the entire agreement and understanding of the parties hereto in respect of the subject matter hereof and thereof, and supersede and replace in their entirety any prior proposals, term sheets, non-disclosure or confidentiality agreements, letters, negotiations or other documents or agreements, whether written or oral, with respect to the subject matter hereof or thereof (including Agent's revised proposal letter dated March 29, 2022 and the Non-Disclosure Agreement).

(b) Neither this Agreement, any other Loan Document (other than the Warrants, which are subject to the amendment provisions set forth therein), nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section 11.3(b). The Required Lenders and the Loan Parties party to the relevant Loan Document may, or, with the written consent of the Required Lenders, Agent and the Loan Parties party to the relevant Loan Document may, from time to time, (i) enter into written amendments, supplements or modifications hereto and to the other Loan Documents for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lenders or of the Loan Parties hereunder or thereunder or (ii) waive, on such terms and conditions as the Required Lenders or Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Loan Documents or any default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (A) forgive the principal amount or extend the final scheduled date of maturity of any Loan, extend the scheduled date of any amortization payment in respect of any Term Loan, reduce the stated rate of any interest or fee payable hereunder or extend the scheduled date of any payment thereof, in each case without the written consent of each Lender directly affected thereby; (B) eliminate or reduce the voting rights of any Lender under this Section 11.3(b) without the written consent of such Lender; (C) reduce any percentage specified in the defined term "Required Lenders", consent to the assignment or transfer by the Loan Parties of any of its rights and obligations under this Agreement and the other Loan Documents, release all or substantially all of the Collateral or release a Loan Party from its obligations under the Loan Documents, in each case without the written consent of all Lenders; or (D) amend, modify or waive any provision of Section 11.18 or Addendum 3 without the written consent of Agent. Any such waiver and any such amendment, supplement or modification shall apply equally to each Lender and shall be binding upon the applicable Loan Parties, the Lenders, Agent and all future holders of the Loans.

11.4 No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

11.5 No Waiver. The powers conferred upon Agent and the Lenders by this Agreement are solely to protect their rights hereunder and under the other Loan Documents and its interest in the Collateral and shall not impose any duty upon Agent or the Lenders to exercise any such powers. No omission or delay by Agent or the Lenders at any time to enforce any right or remedy reserved to them, or to require performance of any of the terms, covenants or provisions hereof by Borrower at any time designated, shall be a waiver of any such right or remedy to which Agent or the Lenders is entitled, nor shall it in any way affect the right of Agent or the Lenders to enforce such provisions thereafter.

11.6 Survival. All agreements, representations and warranties contained in this Agreement and the other Loan Documents or in any document delivered pursuant hereto or thereto shall be for the benefit of Agent and the Lenders and shall survive the execution and delivery of this Agreement. Sections 6.3, 11.9, 11.10, 11.11, 11.15 and 11.18 shall survive the termination of this Agreement.

11.7 Successors and Assigns. The provisions of this Agreement and the other Loan Documents shall inure to the benefit of and be binding on Borrower and its permitted assigns (if any). No Loan Party shall assign its obligations under this Agreement or any of the other Loan Documents without Agent's express prior written consent, and any such attempted assignment shall be void and of no effect. Agent and the Lenders may assign, transfer, or endorse their rights and obligations hereunder and under the other Loan Documents without prior notice to Borrower, and all of such rights and obligations shall inure to the benefit of, and become obligations of, Agent's and the Lenders' successors and assigns; provided that as long as no Event of Default has occurred and is continuing, neither Agent nor any Lender may assign, transfer or endorse its rights hereunder or under the Loan Documents to any party that is a direct competitor of Borrower (as reasonably determined by Agent), it being acknowledged that in all cases, any transfer to an Affiliate of any Lender or Agent shall be allowed. Notwithstanding the foregoing, (x) in connection with any assignment by a Lender as a result of a forced divestiture at the request of any regulatory agency, the restrictions set forth herein shall not apply and Agent and the Lenders may assign, transfer or indorse its rights hereunder and under the other Loan Documents to any Person or party and (y) in connection with a Lender's own financing or securitization transactions, the restrictions set forth herein shall not apply and Agent and the Lenders may assign, transfer or indorse its rights hereunder and under the other Loan Documents to any Person or party providing such financing or formed to undertake such securitization transaction and any transferee of such Person or party upon the occurrence of a default, event of default or similar occurrence with respect to such financing or securitization transaction; provided that no such sale, transfer, pledge or assignment under this clause (y) shall release such Lender from any of its obligations hereunder or substitute any such Person or party for such Lender as a party hereto until Agent shall have received and accepted an effective assignment agreement from such Person or party in form satisfactory to Agent executed, delivered and fully completed by the applicable parties thereto, and shall have received such other information regarding such assignee as Agent reasonably shall require. Agent, acting solely for this purpose as a non-fiduciary agent of Borrower, shall maintain at one of its offices in the United States of America a register for the recordation of the names and addresses of the Lender(s), and the Term Commitments of, and principal amounts (and stated interest) of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and Borrower, Agent and the Lender(s) shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

11.8 Participations. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of Borrower, maintain a register on which it enters the name and address of each participant and the principal amounts (and stated interest) of each participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any participant or any information relating to a participant's interest in any commitments, loans, its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, Agent (in its capacity as Agent) shall have no responsibility for maintaining a Participant Register. Borrower agrees that each participant shall be entitled to the benefits of the provisions in Addendum 1 attached hereto (subject to the requirements and limitations therein, including the requirements under Section 7 of Addendum 1 attached hereto (it being understood that the documentation required under Section 7 of Addendum 1 attached hereto shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 11.7; provided that such participant shall not be entitled to receive any greater payment under Addendum 1 attached hereto, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a change in law that occurs after the participant acquired the applicable participation.

11.9 Governing Law. This Agreement and the other Loan Documents have been negotiated and delivered to Agent and the Lenders in the State of California, and shall have been accepted by Agent and the Lenders in the State of California. Payment to Agent and the Lenders by Borrower of the Secured Obligations is due in the State of California. This Agreement and the other Loan Documents shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, excluding conflict of laws principles that would cause the application of laws of any other jurisdiction.

11.10 Consent to Jurisdiction and Venue. All judicial proceedings (to the extent that the reference requirement of Section 11.11 is not applicable) arising in or under or related to this Agreement or any of the other Loan Documents may be brought in any state or federal court located in the State of California. By execution and delivery of this Agreement, each party hereto generally and unconditionally: (a) consents to nonexclusive personal jurisdiction in Santa Clara County, State of California; (b) waives any objection as to jurisdiction or venue in Santa Clara County, State of California; (c) agrees not to assert any defense based on lack of jurisdiction or venue in the aforesaid courts; and (d) irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement or the other Loan Documents. Service of process on any party hereto in any action arising out of or relating to this Agreement shall be effective if given in accordance with the requirements for notice set forth in Section 11.2, and shall be deemed effective and received as set forth in Section 11.2. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of either party to bring proceedings in the courts of any other jurisdiction.

11.11 Mutual Waiver of Jury Trial / Judicial Reference.

(a) Because disputes arising in connection with complex financial transactions are most quickly and economically resolved by an experienced and expert Person and the parties wish applicable state and federal laws to apply (rather than arbitration rules), the parties desire that their disputes be resolved by a judge applying such applicable laws. EACH OF BORROWER, AGENT AND THE LENDERS SPECIFICALLY WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, CROSS-CLAIM, COUNTERCLAIM, THIRD PARTY CLAIM OR ANY OTHER CLAIM (COLLECTIVELY, "CLAIMS") ASSERTED BY BORROWER AGAINST AGENT, THE LENDERS OR THEIR RESPECTIVE ASSIGNEE OR BY AGENT, THE LENDERS OR THEIR RESPECTIVE ASSIGNEE AGAINST BORROWER. This waiver extends to all such Claims, including Claims that involve Persons other than Agent, Borrower and the Lenders; Claims that arise out of or are in any way connected to the relationship among Borrower, Agent and the Lenders; and any Claims for damages, breach of contract, tort, specific performance, or any equitable or legal relief of any kind, arising out of this Agreement, or any other Loan Document.

(b) If the waiver of jury trial set forth in Section 11.11(a) is ineffective or unenforceable, the parties agree that all Claims shall be resolved by reference to a private judge sitting without a jury, pursuant to Code of Civil Procedure Section 638, before a mutually acceptable referee or, if the parties cannot agree, a referee selected by the Presiding Judge of the Santa Clara County, California. Such proceeding shall be conducted in Santa Clara County, California, with California rules of evidence and discovery applicable to such proceeding.

(c) In the event Claims are to be resolved by judicial reference, either party may seek from a court identified in Section 11.10, any prejudgment order, writ or other relief and have such prejudgment order, writ or other relief enforced to the fullest extent permitted by law notwithstanding that all Claims are otherwise subject to resolution by judicial reference.

11.12 Professional Fees. Each Loan Party promises to pay Agent's and the Lenders' fees and expenses necessary to finalize the loan documentation, including but not limited to reasonable and documented attorneys' fees, UCC searches, filing costs, and other miscellaneous expenses. In addition, Borrower promises to pay any and all reasonable attorneys' and other professionals' fees and expenses incurred by Agent and the Lenders after the Closing Date in connection with or related to: (a) the Loan; (b) the administration, collection, or enforcement of the Loan; (c) the amendment or modification of the Loan Documents; (d) any waiver, consent, release, or termination under the Loan Documents; (e) the protection, preservation, audit, field exam, sale, lease, liquidation, or disposition of Collateral or the exercise of remedies with respect to the Collateral; (f) any legal, litigation, administrative, arbitration, or out of court proceeding in connection with or related to Borrower or the Collateral, and any appeal or review thereof; and (g) any bankruptcy, restructuring, reorganization, assignment for the benefit of creditors, workout, foreclosure, or other action related to Borrower, the Collateral, the Loan Documents, including representing Agent or the Lenders in any adversary proceeding or contested matter commenced or continued by or on behalf of Borrower's estate, and any appeal or review thereof.

11.13 Confidentiality. Agent and the Lenders acknowledge that certain items of Collateral and information provided to Agent and the Lenders by Borrower are confidential and proprietary information of Borrower, if and to the extent such information either (i) is marked as confidential by Borrower at the time of disclosure, or (ii) should reasonably be understood to be confidential (the "Confidential Information"). Accordingly, Agent and the Lenders agree that any

Confidential Information it may obtain in the course of acquiring, administering, or perfecting Agent's security interest in the Collateral shall not be disclosed to any other Person or entity in any manner whatsoever, in whole or in part, without the prior written consent of Borrower, except that Agent and the Lenders may disclose any such information: (a) to its Affiliates and its partners, investors, lenders, directors, officers, employees, agents, advisors, counsel, accountants, counsel, representative and other professional advisors if Agent or the Lenders in their reasonable discretion determine that any such party should have access to such information in connection with or associated with the performance Agent or the Lenders' responsibilities in connection with the Loan or this Agreement and, provided that such recipient of such Confidential Information either (i) agrees to be bound by the confidentiality provisions of this paragraph or (ii) is otherwise subject to confidentiality restrictions as protective as the terms hereof and that reasonably protect against the disclosure and use of Confidential Information pursuant to similar terms; (b) if such information is generally available to the public or to the extent such information becomes publicly available other than as a result of a breach of this Section or becomes available to Agent or any Lender, or any of their respective Affiliates on a non-confidential basis from a source other than Borrower and not in violation of any confidentiality obligations known to Agent or such Lender; (c) if required or appropriate in any report, statement or testimony submitted to any governmental authority having or claiming to have jurisdiction over Agent or the Lenders and any rating agency; (d) if required or appropriate in response to any summons or subpoena or in connection with any litigation, to the extent permitted or deemed advisable by Agent's or the Lenders' counsel; (e) to comply with any legal requirement or law applicable to Agent or the Lenders or demanded by any governmental authority; (f) to the extent reasonably necessary in connection with the exercise of, or preparing to exercise, or the enforcement of, or preparing to enforce, any right or remedy under any Loan Document, including Agent's sale, lease, or other disposition of Collateral after default, or any action or proceeding relating to any Loan Document; (g) to any participant or assignee of Agent or the Lenders or any prospective participant or assignee; provided, that such participant or assignee or prospective participant or assignee is subject to confidentiality restrictions that reasonably protect against the disclosure of Confidential Information; (h) to any investor or potential investor (and each of their respective Affiliates or clients) in Agent or the Lenders (or each of their respective Affiliates); provided that such investor, potential investor, Affiliate or client is subject to confidentiality obligations with respect to the Confidential Information as is consistent with clause (a) (ii) above); (i) otherwise to the extent consisting of general portfolio information that does not identify Borrower; or (j) otherwise with the prior consent of Borrower; provided, that any disclosure made in violation of this Agreement shall not affect the obligations of Borrower or any of its Affiliates or any guarantor under this Agreement or the other Loan Documents. Agent's and the Lenders' obligations under this Section 11.13 shall supersede all of their respective obligations under the Non-Disclosure Agreement.

11.14 Assignment of Rights. Borrower acknowledges and understands that Agent or the Lenders may, subject to Section 11.7, sell and assign all or part of its interest hereunder and under the Loan Documents to any Person or entity (an "Assignee"). After such assignment the term "Agent" or "Lender" as used in the Loan Documents shall mean and include such Assignee, and such Assignee shall be vested with all rights, powers and remedies of Agent and the Lenders hereunder with respect to the interest so assigned; but with respect to any such interest not so transferred, Agent and the Lenders shall retain all rights, powers and remedies hereby given. No such assignment by Agent or the Lenders shall relieve Borrower of any of its obligations hereunder. The Lenders agree that in the event of any transfer by it of any promissory notes, it will endorse thereon a notation as to the portion of the principal of such promissory notes, which shall have been paid at the time of such transfer and as to the date to which interest shall have been last paid thereon.

11.15 Revival of Secured Obligations; Termination. Other than as set forth in Section 11.6, this Agreement and the other Loan Documents shall terminate on the payment in full in cash of the Secured Obligations (other than any obligations that expressly survive termination). Notwithstanding the preceding sentence, this Agreement and the Loan Documents shall remain in full force and effect and continue to be effective if any petition is filed by or against Borrower for liquidation or reorganization, if Borrower becomes insolvent or makes an assignment for the benefit of creditors, if a receiver or trustee is appointed for all or any significant part of Borrower's assets, or if any payment or transfer of Collateral is recovered from Agent or the Lenders. The Loan Documents and the Secured Obligations and Collateral security shall continue to be effective, or shall be revived or reinstated, as the case may be, if at any time payment and performance of the Secured Obligations (other than obligations that expressly survive termination) or any transfer of Collateral to Agent, or any part thereof is rescinded, avoided or avoidable, reduced in amount, or must otherwise be restored or returned by, or is recovered from, Agent, the Lenders or by any obligee of the Secured Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment, performance, or transfer of Collateral had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, avoided, avoidable, restored, returned, or recovered, the Loan Documents and the Secured Obligations shall be deemed, without any further action or documentation, to have been revived and reinstated except to the extent of the full, final, and indefeasible payment to Agent or the Lenders in Cash.

11.16 Counterparts. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so delivered shall be deemed an original, but all of which counterparts shall constitute but one and the same instrument.

11.17 No Third Party Beneficiaries. No provisions of the Loan Documents are intended, nor will be interpreted, to provide or create any third-party beneficiary rights or any other rights of any kind in any Person other than Agent, the Lenders and Borrower unless specifically provided otherwise herein, and, except as otherwise so provided, all provisions of the Loan Documents will be personal and solely among Agent, the Lenders and the Loan Parties which are a party thereto.

11.18 Agency. Agent and each Lender hereby agree to the terms and conditions set forth on Addendum 3 attached hereto. Borrower acknowledges and agrees to the terms and conditions set forth on Addendum 3 attached hereto.

11.19 Publicity. None of the parties hereto nor any of its respective member businesses and Affiliates shall, without the other parties' prior written consent (which shall not be unreasonably withheld or delayed), publicize or use (a) the other party's name (including a brief description of the relationship among the parties hereto), logo or hyperlink to such other parties' web site, separately or together, in written and oral presentations, advertising, promotional and marketing materials, client lists, public relations materials or on its web site (together, the "Publicity Materials"); (b) the names of officers of such other parties in the Publicity Materials; and (c) such other parties' name, trademarks, servicemarks in any news or press release concerning such party; provided however, notwithstanding anything to the contrary herein, no such consent shall be required (i) to the extent necessary to comply with the requests of any regulators, legal requirements or laws applicable to such party, pursuant to any listing agreement with any national securities exchange (so long as such party provides prior notice to the other party hereto to the extent reasonably practicable) and (ii) to comply with Section 11.13.

11.20 Multiple Borrowers. Each Borrower hereby agrees to the terms and conditions set forth on Addendum 4 attached hereto.

11.21 Electronic Execution of Certain Other Documents. The words “execution,” “execute,” “signed,” “signature,” and words of like import in or related to any document to be signed in connection with this Agreement and the transactions contemplated hereby (including without limitation assignments, assumptions, amendments, waivers and consents) shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the California Uniform Electronic Transaction Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

(SIGNATURES TO FOLLOW)

IN WITNESS WHEREOF, Borrower, Agent and the Lenders have duly executed and delivered this Loan and Security Agreement as of the date set forth above.

BORROWERS:

MADRIGAL PHARMACEUTICALS, INC.

Signature: _____

Print Name: _____

Title: _____

CANTICLE PHARMACEUTICALS, INC.

Signature: _____

Print Name: _____

Title: _____

[Signature Page to Loan and Security Agreement]

AGENT:

HERCULES CAPITAL, INC.

Signature: _____

Print Name: _____

Title: _____

LENDERS:

HERCULES CAPITAL, INC.

Signature: _____

Print Name: _____

Title: _____

HERCULES PRIVATE CREDIT FUND 1 L.P.

By: Hercules Adviser LLC, its Investment Adviser

Signature: _____

Print Name: _____

Title: _____

HERCULES PRIVATE GLOBAL VENTURE GROWTH
FUND I L.P.

By: Hercules Adviser LLC, its Investment Adviser

Signature: _____

Print Name: _____

Title: _____

[Signature Page to Loan and Security Agreement]

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**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: August 4, 2022

**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, Alex G. Howarth, 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/ Alex G. Howarth

Alex G. Howarth

Senior Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

Date: August 4, 2022

**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 June 30, 2022 (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: August 4, 2022

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

Paul A. Friedman, M.D.
Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

Dated: August 4, 2022

/s/ Alex G. Howarth

Alex G. Howarth
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting 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.