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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended September 30, 2024

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

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**MADRIGAL PHARMACEUTICALS, INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

04-3508648

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

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

19428

(Zip Code)

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

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

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

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

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 October 28, 2024, the registrant had 21,810,407 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)

	September 30, 2024	December 31, 2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 232,684	\$ 99,915
Restricted cash	5,000	—
Marketable securities	765,943	534,216
Trade receivables, net	30,463	—
Inventory	8,715	—
Prepaid expenses and other current assets	20,861	3,150
Total current assets	<u>1,063,666</u>	<u>637,281</u>
Property and equipment, net	2,268	1,553
Intangible assets, net	4,819	—
Right-of-use asset	2,512	1,713
Total assets	<u><u>\$ 1,073,265</u></u>	<u><u>\$ 640,547</u></u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 45,966	\$ 28,041
Accrued liabilities	131,003	89,980
Lease liability	878	527
Total current liabilities	<u>177,847</u>	<u>118,548</u>
Long term liabilities:		
Loan payable, net of discount	117,087	115,480
Lease liability	1,176	1,186
Total long term liabilities	<u>118,263</u>	<u>116,666</u>
Total liabilities	<u><u>296,110</u></u>	<u><u>235,214</u></u>
Stockholders' equity:		
Preferred stock, par value \$ 0.0001 per share authorized: 5,000,000 shares at September 30, 2024 and December 31, 2023; 2,369,797 and 2,369,797 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	—	—
Common stock, par value \$ 0.0001 per share authorized: 200,000,000 at September 30, 2024 and December 31, 2023; 21,806,436 and 19,875,427 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	2	2
Additional paid-in-capital	2,518,648	1,741,153
Accumulated other comprehensive income	1,271	468
Accumulated deficit	(1,742,766)	(1,336,290)
Total stockholders' equity	<u>777,155</u>	<u>405,333</u>
Total liabilities and stockholders' equity	<u><u>\$ 1,073,265</u></u>	<u><u>\$ 640,547</u></u>

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Revenues:</b>				
Product revenue, net	\$ 62,175	\$ —	\$ 76,813	\$ —
<b>Operating expenses:</b>				
Cost of sales	2,152	—	2,788	—
Research and development	68,742	70,951	211,070	201,710
Selling, general and administrative	107,585	27,583	293,834	61,610
<b>Total operating expenses</b>	<b>178,479</b>	<b>98,534</b>	<b>507,692</b>	<b>263,320</b>
Loss from operations	( 116,304 )	( 98,534 )	( 430,879 )	( 263,320 )
Interest income	13,019	3,298	35,575	10,625
Interest expense	( 3,679 )	( 3,504 )	( 11,172 )	( 8,741 )
<b>Net loss</b>	<b>\$ ( 106,964 )</b>	<b>\$ ( 98,740 )</b>	<b>\$ ( 406,476 )</b>	<b>\$ ( 261,436 )</b>
<b>Net loss per common share:</b>				
Basic and diluted net loss per common share	\$ ( 4.92 )	\$ ( 5.34 )	\$ ( 19.31 )	\$ ( 14.27 )
Basic and diluted weighted average number of common shares outstanding	21,745,929	18,476,414	21,052,544	18,326,154

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net Loss	\$ ( 106,964 )	\$ ( 98,740 )	\$ ( 406,476 )	\$ ( 261,436 )
Other comprehensive income (loss):				
Unrealized gain (loss) on available-for-sale securities	1,639	47	803	( 10 )
Comprehensive loss	<u>\$ ( 105,325 )</u>	<u>\$ ( 98,693 )</u>	<u>\$ ( 405,673 )</u>	<u>\$ ( 261,446 )</u>

See accompanying notes to condensed consolidated financial statements.

**MADRIGAL PHARMACEUTICALS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Uaudited; 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, 2023	2,369,797	\$ —	19,875,427	\$ 2	\$ 1,741,153	\$ 468	\$ (1,336,290)	\$ 405,333
Issuance of common shares and sale of warrants in equity offerings, excluding to related parties, net of transaction costs	—	—	750,000	—	311,560	—	—	311,560
Sale of warrants to related parties in equity offerings, exercise of common stock options, and restricted stock vesting, net of transaction costs	—	—	59,236	—	262,145	—	—	262,145
Stock-based compensation expense related to equity-classified awards	—	—	—	—	19,902	—	—	19,902
Unrealized loss on marketable securities	—	—	—	—	—	(640)	—	(640)
Net loss	—	—	—	—	—	—	(147,541)	(147,541)
Balance at March 31, 2024	2,369,797	\$ —	20,684,663	\$ 2	\$ 2,334,760	\$ (172)	\$ (1,483,831)	\$ 850,759
Issuance of common shares in equity offering, excluding to related parties, net of transaction costs	—	—	346,153	—	85,950	—	—	85,950
Sale of common shares to related parties and exercise of common stock options, net of transaction costs	—	—	670,077	—	48,174	—	—	48,174
Stock-based compensation expense related to equity-classified awards	—	—	—	—	24,404	—	—	24,404
Unrealized loss on marketable securities	—	—	—	—	—	(196)	—	(196)
Net loss	—	—	—	—	—	—	(151,971)	(151,971)
Balance at June 30, 2024	2,369,797	\$ —	21,700,893	\$ 2	\$ 2,493,288	\$ (368)	\$ (1,635,802)	\$ 857,120
Sale of common shares to related parties and exercise of common stock options, net of transaction costs	—	—	105,543	—	7,462	—	—	7,462
Stock-based compensation expense related to equity-classified awards	—	—	—	—	17,898	—	—	17,898
Unrealized gain on marketable securities	—	—	—	—	—	1,639	—	1,639
Net loss	—	—	—	—	—	—	(106,964)	(106,964)
Balance at September 30, 2024	<u>2,369,797</u>	<u>\$ —</u>	<u>21,806,436</u>	<u>\$ 2</u>	<u>\$ 2,518,648</u>	<u>\$ 1,271</u>	<u>\$ (1,742,766)</u>	<u>\$ 777,155</u>

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Balance at December 31, 2022	2,369,797	\$	—	18,102,523	\$	2	\$ 1,160,079	\$	( 32 )	\$ ( 962,660 )	\$ 197,389
Sale of common shares to related parties and exercise of common stock options, net of transaction costs	—	—	—	180,551	—	—	17,903	—	—	—	17,903
Stock-based compensation expense related to equity-classified awards	—	—	—	—	—	—	11,250	—	—	—	11,250
Unrealized loss on marketable securities	—	—	—	—	—	—	—	( 54 )	—	—	( 54 )
Hercules warrant	—	—	—	—	—	—	544	—	—	—	544
Net loss	—	—	—	—	—	—	—	—	( 76,896 )	—	( 76,896 )
Balance at March 31, 2023	2,369,797	\$	—	18,283,074	\$	2	\$ 1,189,776	\$	( 86 )	\$ ( 1,039,556 )	\$ 150,136
Issuance of common shares in equity offering, excluding to related parties, net of transaction costs	—	—	—	85,901	—	—	21,754	—	—	—	21,754
Sale of common shares to related parties and exercise of common stock options, net of transaction costs	—	—	—	90,058	—	—	6,251	—	—	—	6,251
Compensation expense related to stock options for services	—	—	—	—	—	—	10,973	—	—	—	10,973
Unrealized loss on marketable securities	—	—	—	—	—	—	—	( 3 )	—	—	( 3 )
Hercules warrant	—	—	—	—	—	—	195	—	—	—	195
Net loss	—	—	—	—	—	—	—	—	( 85,800 )	—	( 85,800 )
Balance at June 30, 2023	2,369,797	\$	—	18,459,033	\$	2	\$ 1,228,949	\$	( 89 )	\$ ( 1,125,356 )	\$ 103,506
Issuance of common shares in equity offering, excluding to related parties, net of transaction costs	—	—	—	12,200	—	—	2,731	—	—	—	2,731
Sale of common shares to related parties and exercise of common stock options, net of transaction costs	—	—	—	22,959	—	—	1,924	—	—	—	1,924
Compensation expense related to stock options for services	—	—	—	—	—	—	12,660	—	—	—	12,660
Unrealized gain on marketable securities	—	—	—	—	—	—	—	47	—	—	47
Hercules warrant	—	—	—	—	—	—	121	—	—	—	121
Net loss	—	—	—	—	—	—	—	—	( 98,740 )	—	( 98,740 )
Balance at September 30, 2023	2,369,797	\$	—	18,494,192	\$	2	\$ 1,246,385	\$	( 42 )	\$ ( 1,224,096 )	\$ 22,249

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2024	2023
<b>Cash flows from operating activities:</b>		
Net loss	\$ ( 406,476 )	\$ ( 261,436 )
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Stock-based compensation expense	62,204	34,883
Depreciation and amortization expense	733	385
Amortization of debt issuance costs and discount	1,607	1,661
Amortization and interest accretion related to operating leases	( 458 )	—
<b>Changes in operating assets and liabilities:</b>		
Trade receivables, net	( 30,463 )	—
Prepaid expenses and other current assets	( 17,711 )	( 523 )
Inventory	( 8,715 )	—
Accounts payable	17,925	( 7,289 )
Accrued liabilities	41,023	( 8,851 )
Accrued interest, net of interest received on maturity of investments	( 10,755 )	( 3,127 )
<b>Net cash used in operating activities</b>	<b>( 351,086 )</b>	<b>( 244,297 )</b>
<b>Cash flows from investing activities:</b>		
Purchases of marketable securities	( 781,021 )	( 359,549 )
Sales and maturities of marketable securities	560,852	219,595
Acquisition of intangible asset	( 5,000 )	—
Purchases of property and equipment, net of disposals	( 1,267 )	( 443 )
<b>Net cash used in investing activities</b>	<b>( 226,436 )</b>	<b>( 140,397 )</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuances of stock, excluding related parties, net of transaction costs	397,510	24,484
Proceeds from related parties - warrants, exercise of common stock options, net of transaction costs	317,781	26,079
Proceeds from issuance of loan payable	—	65,000
Payment of debt issuance costs	—	( 363 )
<b>Net cash provided by financing activities</b>	<b>715,291</b>	<b>115,200</b>
<b>Net increase (decrease) in cash, cash equivalents, and restricted cash</b>	<b>137,769</b>	<b>( 269,494 )</b>
<b>Cash, cash equivalents, and restricted cash at beginning of period</b>	<b>99,915</b>	<b>331,549</b>
<b>Cash, cash equivalents, and restricted cash at end of period</b>	<b>\$ 237,684</b>	<b>\$ 62,055</b>
<b>Supplemental disclosure of cash flow information:</b>		
Obtaining a right-of-use asset in exchange for a lease liability	\$ 1,168	\$ 1,628

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 biopharmaceutical company focused on delivering novel therapeutics for nonalcoholic steatohepatitis ("NASH"), a serious liver disease with high unmet medical need that can lead to cirrhosis, liver failure and premature mortality. NASH is expected to become the leading cause of liver transplantation in the U.S. and is already the leading cause of liver transplantation among women in the U.S. The Company's medication, Rezdiffra (resmetirom), is a once-daily, oral, liver-directed THR-β agonist designed to target key underlying causes of NASH. In March 2024, Rezdiffra became the first and only FDA-approved therapy for patients with NASH. Rezdiffra became commercially available in the United States in April 2024. Rezdiffra is indicated in conjunction with diet and exercise for the treatment of adults with noncirrhotic NASH with moderate to advanced liver fibrosis (consistent with stages F2 to F3 fibrosis).

**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, the Company believes 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 the Company will have for the full year ending December 31, 2024 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, 2023.

**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 and transactions 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.

**Revenue Recognition**

The Company recognizes revenue in accordance with ASC Topic 606 - Revenue from Contracts with Customers. Revenue is recognized at a point in time when the customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) the Company satisfies its performance obligation(s).

**Product Revenue, Net**

On March 14, 2024, the Company announced that the U.S. Food and Drug Administration ("FDA") granted accelerated approval of Rezdiffra (resmetirom) in conjunction with diet and exercise for the treatment of adults with noncirrhotic nonalcoholic steatohepatitis ("NASH") with moderate to advanced liver fibrosis (consistent with stages F2 to

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F3 fibrosis). The Company enters into agreements with specialty pharmacies and specialty distributors, each a "Customer" and collectively the "Customers", to sell Rezdifra in the U.S. Revenues from product sales are recognized when the Customer obtains control of the Company's product, which occurs at a point in time, typically upon delivery to the Customer.

Revenue is recorded net of variable consideration, which includes prompt pay discounts, returns, chargebacks, rebates, and co-payment assistance. The variable consideration is estimated based on contractual terms as well as management assumptions. The amount of variable consideration is calculated by using the expected value method, which is the sum of probability-weighted amounts in a range of possible outcomes, or the most likely amount method, which is the single most likely amount in a range of possible outcomes. Estimates are reviewed quarterly and adjusted as necessary.

Accruals are established for gross to net deductions and actual amounts incurred are offset against applicable accruals. The Company reflects these accruals as either a reduction in the related account receivable from the customer or as an accrued liability, depending on the means by which the deduction is settled. Sales deductions are based on management's estimates that involve a substantial degree of judgment.

*Prompt Pay:* Customers receive a prompt pay discount for payments made within a contractually agreed number of days before the due date. The discounts are accounted for as a reduction of the transaction price and recorded as a contra receivable.

*Returns:* The Company records allowances for product returns as a reduction of revenue at the time product sales are recorded. Product returns are estimated based on forecasted sales and historical and industry data. Returns are permitted in accordance with the return goods policy defined within each customer agreement. A returns reserve is recorded as an accrued liability.

*Chargebacks:* The Company estimates obligations resulting from contractual commitments with the government and other entities to sell products to qualified healthcare providers at prices lower than the list prices charged to the customer who directly purchases from the Company. The customer charges the Company for the difference between what it pays to the Company for the product and the selling price to the qualified healthcare providers, with the difference recorded as a contra receivable.

*Co-Payment Assistance:* Co-payment assistance programs are offered to eligible end-users as price concessions and are recorded as accrued liabilities and a reduction of the transaction price. The Company uses a third-party to administer the co-payment program for pharmacy benefit claims.

*Rebates:* The Company is subject to discount obligations under government programs, including Medicaid and Medicare. Reserves for rebates are recorded in the same period the related product revenue is recognized, resulting in a reduction of product revenues and a current liability that is included in accrued expenses on the consolidated balance sheet. The Company's estimate for rebates is based on statutory discount rates, expected utilization or an estimated number of patients on treatment, as applicable.

### **Concentrations of Credit Risk and Significant Customers**

The Company generates revenue from a small number of large, reputable customers. The following customers accounted for over 10% of total gross product revenue during three and nine months ended September 30, 2024. As Rezdifra was made commercially available in April 2024, there were no sales and no corresponding customer concentrations in 2023.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
Customer A	38	%	—	%	38	%	—	%
Customer B	21	%	—	%	21	%	—	%
Customer C	16	%	—	%	16	%	—	%
Customer D	11	%	—	%	12	%	—	%

## 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.

The Company adjusts the cost of available-for-sale debt securities for amortization of premiums and accretion of discounts to maturity. The Company includes such amortization and accretion as a component of interest income, net. Realized gains and losses and declines in value, if any, that the Company judges to be the result of impairment or as a result of recognizing an allowance for credit losses on available-for-sale securities are reported as a component of interest income. To determine whether an 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 nine months ended September 30, 2024 and 2023, 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 nine months ended September 30, 2024 and 2023, realized gains and losses on marketable securities were not material.

## Fair Value of Financial Instruments

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

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

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

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

Financial assets and liabilities are classified in their entirety within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. The Company measures the fair value of its marketable securities by taking into consideration valuations obtained from third-party pricing sources. The pricing services utilize industry standard valuation models, including both income and market based approaches, for which all significant inputs are observable, either directly or indirectly, to estimate fair value. These inputs include reported trades of and broker-dealer quotes on the same or similar securities, issuer credit spreads, benchmark securities and other observable inputs.

As of September 30, 2024, 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 nine months ended September 30, 2024 and 2023, the Company did not have any transfers of financial assets between Levels 1 and 2. As of September 30, 2024 and December 31, 2023, the Company did not have any financial liabilities that were recorded at fair value on a recurring basis on the balance sheet.

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### **Inventory**

Inventory, which consists of work in process and finished goods, is stated at the lower of cost or estimated net realizable value, using actual cost, based on a first-in, first-out ("FIFO") method. The balance sheet classification of inventory as current or non-current is determined by whether it will be consumed within the Company's normal operating cycle. The Company analyzes its inventory levels quarterly and writes down inventory subject to expiry or in excess of expected requirements, or that has a cost basis in excess of its expected net realizable value. These write downs are charged to cost of sales in the accompanying Consolidated Statements of Income. The Company capitalizes inventory costs when future commercial sale in the ordinary course of business is probable.

The Company considered regulatory approval of its product candidate to be uncertain and product manufactured prior to regulatory approval could not have been sold unless regulatory approval was obtained. As such, the manufacturing costs incurred prior to regulatory approval were not capitalized as inventory, rather were expensed as incurred as research and development expenses. The Company began capitalizing inventory in March 2024 after FDA approval was granted.

### **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 cash compensation and 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 its drug, and conducted 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 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 selling, general and administrative expense in the Company's consolidated statements of operations.

### **Intangible Assets**

Intangible assets with finite lives are amortized to cost of sales over their estimated useful lives using the straight-line method. Intangible assets are tested for recoverability whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

### **Stock-Based Compensation**

The Company recognizes stock-based compensation expense based on the grant date fair value of stock options, restricted stock units, and other stock-based compensation awards granted to employees, officers, directors, and consultants. Awards that vest as the recipient provides service are expensed on a straight-line basis over the requisite service period.

The Company uses the Black-Scholes option pricing model to determine the grant date fair value of stock options 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.

For other stock-based compensation awards granted to employees and directors that vest based on market conditions, such as the trading price of the Company's common stock achieving or exceeding certain price targets, the Company uses a Monte Carlo simulation model to estimate the grant date fair value and recognize stock compensation expense over the derived service period. The Monte Carlo simulation model requires key inputs for risk-free interest rate, dividend yield, volatility, and expected life.

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The assumptions used in computing the fair value of equity awards reflect the Company's best estimates but involve uncertainties related to market and other conditions. Changes in any of these assumptions may materially affect the fair value of awards granted and the amount of stock-based compensation recognized.

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 stock-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 accounts for income taxes in accordance with ASC 740, "Income Taxes", which prescribes the use of the liability method where deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value if it is more likely than not that a portion or all of the deferred tax assets will not be realized based on the weight of available positive and negative evidence. 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. 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 nine months ended September 30, 2024 and 2023, diluted net loss per share is the same as basic net loss per share because the inclusion of weighted average shares of common stock issuable upon the exercise of stock options and warrants or vesting of restricted stock units, 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:

	Outstanding at September 30,	
	2024	2023
Common stock options	1,701,618	2,518,612
Restricted stock units	502,867	311,767
Performance-based restricted stock units	235,520	150,000
Preferred stock	2,369,797	2,369,797
Warrants	3,625,244	19,454

### **Recent Accounting Pronouncements**

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which enhances the disclosures required for operating segments in the Company's annual and interim consolidated financial statements. The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods beginning after December 15, 2024. The Company does not expect the adoption of ASU 2023-07 to have a significant impact on its financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which enhances the disclosures required for income taxes in the Company's annual consolidated financial

statements. The amendments are effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The Company does not expect the adoption of ASU 2023-09 to have a significant impact on its financial statements.

### **3. Liquidity and Uncertainties**

The Company is subject to risks common to development stage companies and early commercial 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 FDA and other government regulations.

The Company has incurred losses since inception, including approximately \$ 406.5 million for the nine months ended September 30, 2024, resulting in an accumulated deficit of approximately \$ 1,742.8 million as of September 30, 2024. To date, the Company has funded its operations primarily through proceeds from sales of the Company's capital stock and debt financings. In March 2024, the FDA approved Rezdifra in the U.S. for the treatment of adults with noncirrhotic NASH with moderate to advanced liver fibrosis (consistent with stages F2 to F3 fibrosis). Rezdifra became commercially available in the U.S. in April 2024. In March 2024, the Company completed a public offering and received approximately \$ 574.0 million net cash proceeds. In April 2024, underwriters exercised in full their option to purchase additional shares as part of the public offering, resulting in additional net cash proceeds of approximately \$ 85.9 million. The Company believes that its cash, cash equivalents and marketable securities will be sufficient to fund operations past one year from the issuance of these financial statements. The Company's future long-term liquidity requirements will be substantial and will depend on many factors, including the Company's ability to effectively commercialize Rezdifra. To meet its future capital needs, the Company may need 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, if at all, 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 commercial activities, geographic expansion activities, and certain research activities and related clinical expenses if necessary due to liquidity concerns until a date when those concerns are relieved.

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**4. Cash, Cash Equivalents and Marketable Securities**

The Company held restricted cash of \$ 5.0 million as of September 30, 2024 as collateral to its corporate credit card program. The Company had no restricted cash as of December 31, 2023.

A summary of cash, cash equivalents and available-for-sale marketable securities held by the Company as of September 30, 2024 and December 31, 2023 is as follows (in thousands):

	September 30, 2024			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>Cash and cash equivalents:</b>				
Cash (Level 1)	\$ 25,242	\$ —	\$ —	\$ 25,242
Money market funds (Level 1)	86,060	—	—	86,060
U.S. government and government sponsored entities due within 3 months (Level 1)	67,541	—	—	67,541
Corporate debt securities due within 3 months of date of purchase (Level 2)	58,841	—	—	58,841
<b>Total cash and cash equivalents</b>	<b>237,684</b>	<b>—</b>	<b>—</b>	<b>237,684</b>
<b>Marketable securities:</b>				
Corporate debt securities due within 1 year of date of purchase (Level 2)	436,277	573	( 25 )	436,825
U.S. government and government sponsored entities due within 1 year of date of purchase (Level 2)	297,160	411	( 7 )	297,564
U.S. government and government sponsored entities due within 1 to 2 years of date of purchase (Level 2)	31,235	320	( 1 )	31,554
<b>Total cash, cash equivalents, restricted cash, and marketable securities</b>	<b>\$ 1,002,356</b>	<b>\$ 1,304</b>	<b>\$ ( 33 )</b>	<b>\$ 1,003,627</b>

	December 31, 2023			
	Cost	Unrealized gains	Unrealized losses	Fair value
<b>Cash and cash equivalents:</b>				
Cash (Level 1)	\$ 2,729	\$ —	\$ —	\$ 2,729
Money market funds (Level 1)	78,555	—	—	78,555
US government and government sponsored entities (Level 1)	14,967	—	—	14,967
Corporate debt securities due within 3 months of date of purchase (Level 2)	3,664	—	—	3,664
<b>Total cash and cash equivalents</b>	<b>99,915</b>	<b>—</b>	<b>—</b>	<b>99,915</b>
<b>Marketable securities:</b>				
Corporate debt securities due within 1 year of date of purchase (Level 2)	382,028	195	( 7 )	382,216
US government and government sponsored entities due within 1 year of date of purchase (Level 2)	150,743	280	( 1 )	151,022
Corporate debt securities due within 1 to 2 years of date of purchase (Level 2)	977	1	—	978
<b>Total cash, cash equivalents and marketable securities</b>	<b>\$ 633,663</b>	<b>\$ 476</b>	<b>\$ ( 8 )</b>	<b>\$ 634,131</b>

**5. Inventory**

The following table summarizes the Company's inventory balances as of September 30, 2024 and December 31, 2023 (in thousands):

	September 30, 2024	December 31, 2023
Raw materials	\$ —	\$ —
Work in process	5,389	—
Finished goods	3,326	—
Total	<u>\$ 8,715</u>	<u>\$ —</u>

## 6. Accrued Liabilities

Accrued liabilities as of September 30, 2024 and December 31, 2023 consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Contract research organization costs	\$ 59,809	\$ 50,737
Other clinical study related costs	1,496	3,724
Manufacturing and drug supply	2,291	9,705
Compensation and benefits	29,684	17,030
Professional fees	23,095	6,814
Gross to net accrued liabilities	7,816	—
Other	6,812	1,970
Total accrued liabilities	<u>\$ 131,003</u>	<u>\$ 89,980</u>

## 7. 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 also could draw up to an additional \$ 125.0 million in two separate tranches upon achievement of certain resmetriom clinical and regulatory milestones. A fourth tranche of \$ 75.0 million could have been drawn by the Company, subject to the approval of Hercules. The Loan Facility had a minimum interest rate of 7.45 % and adjusted with changes in the prime rate. The Company was originally scheduled to pay interest-only monthly payments of accrued interest under the Loan Facility through May 1, 2025, for a period of 36 months. In March 2024, the interest-only period was extended to May 1, 2026 when the Company achieved a milestone when Rezdifra received FDA approval. The interest only period can further be extended to May 3, 2027, upon the achievement of future revenue milestones, subject to compliance with applicable covenants. The Loan Facility originally matured in May 2026, but the maturity date was extended to May 2027 when the Company achieved a milestone upon receipt of FDA approval in March 2024. 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 of Company common stock, which had a Black-Scholes value of \$ 0.6 million.

On February 3, 2023, the Company entered into the First Amendment (the "First Amendment") to the Loan Facility (as amended, the "Amended Loan Facility"). Under the Amended Loan Facility, an additional \$ 35.0 million was drawn under a second, expanded, \$ 65.0 million tranche ("Tranche 2") in February of 2023 following the Company's achievement of the Phase 3 clinical development milestone. An additional \$ 15.0 million was drawn under Tranche 2 in June of 2023. The remaining \$ 15.0 million available under Tranche 2 was drawn in September of 2023 in accordance with the Amended Loan Facility.

The third tranche ("Tranche 3") of \$ 75.0 million was unchanged by the First Amendment, and such borrowings became available when the Company achieved a milestone with FDA approval for Rezdifra in March 2024. The Company did not elect to draw Tranche 3 before it expired in June 2024, but subsequently entered into an amendment to extend the availability of these funds in August 2024. Coincident with the expansion of Tranche 2 borrowing capacity by \$ 15.0 million, the First Amendment reduced the fourth tranche under the Loan Facility ("Tranche 4") by \$ 15.0 million to \$ 60.0 million.

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In connection with the \$ 35.0 million drawn under Tranche 2 at the closing of the First Amendment, \$ 15.0 million drawn in June of 2023, and \$ 15.0 million drawn in September 2023, the Company issued to Hercules and affiliates Tranche 2 Warrants to purchase an aggregate of 4,555 shares of common stock, which had a Black-Scholes value of \$ 0.9 million. The First Amendment reduced the interest rate under the Amended Loan Facility to the greater of (i) the prime rate as reported in The Wall Street Journal plus 2.45 % and (ii) 8.25 %. The First Amendment and the Amended Loan Facility summary terms were disclosed in the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 9, 2023.

On August 22, 2024, the Company entered into the Second Amendment (the "Second Amendment") to the Loan Facility (as amended by the First Amendment and the Second Amendment, the "Second Amended Loan Facility"). Under the Second Amended Loan Facility, the Company's borrowing capacity available under Tranche 4 is increased to include the \$ 75.0 million available under Tranche 3 that was not utilized by the Company. After such increase, the Company's current borrowing capacity is \$ 135.0 million under Tranche 4, which is available subject to Hercules' sole discretion.

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 may apply commencing at or after the time that financial reporting is due for the quarter ending September 30, 2024, subject to certain exceptions in the event that the Company maintains a specified market capitalization or an unrestricted cash balance as set forth in the Loan Facility. The Loan Facility contains event of default provisions for: the Company's failure to make required payments or maintain compliance with covenants under the Loan Facility; the Company's breach of certain representations or default under certain obligations outside the Loan Facility; insolvency, attachment or judgment events affecting the Company; and any circumstance which has occurred or could reasonably be expected to have a material adverse effect on the Company, provided that, any failure to achieve a clinical milestone or approval milestone under the Loan Facility shall not in and of itself constitute a material adverse effect. 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.

As of September 30, 2024, the outstanding principal under the Loan Facility was \$ 115.0 million. The interest rate as of September 30, 2024 was 10.45 %. As of September 30, 2024, 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 September 30, 2024 are as follows (in thousands):

<u>Period Ending September 30, 2024:</u>	<u>Amount</u>
2024	\$ 3,067
2025	12,184
2026	79,197
Thereafter	53,247
	\$ 147,695
Less amount representing interest	( 26,542)
Less unamortized discount	( 4,066)
Loans payable, net of discount	\$ 117,087

## **8. Stockholders' Equity**

### **Common Stock**

Each common stockholder is entitled to one vote for each share of common stock held. The common stock will vote together with all other classes and series of stock of the Company as a single class on all actions to be taken by the Company's stockholders. Each share of common stock is entitled to receive dividends, as and when declared by the Company's Board of Directors (the "Board"). The Company has never declared cash dividends on its common stock and does not expect to do so in the foreseeable future.

## Preferred Stock

The Series A and B Preferred Stock have a par value of \$ 0.0001 per share and are convertible into shares of the common stock at a one -to-one ratio, subject to adjustment as provided in the Certificates of Designation of Preferences, Rights and Limitations of Series A Preferred Stock and Series B Preferred Stock that the Company filed with the Secretary of State of the State of Delaware on June 21, 2017 and December 22, 2022, respectively. The terms of the Series A and B Preferred Stock are set forth in such Certificates of Designation. Each share of the Series A and B 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 and B Preferred Stock upon liquidation, the holders of the Series A and B 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 and B Preferred Stock will generally have no voting rights, except as required by law. Shares of the Series A and B 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.

## 2024 Public Offering

On March 18, 2024, the Company entered into an Underwriting Agreement with Goldman Sachs & Co. LLC, Jefferies LLC, Cowen and Company, LLC, Evercore Group L.L.C. and Piper Sandler & Co, as representatives of the several underwriters named therein (the "2024 Underwriters"), pursuant to which the Company sold to the 2024 Underwriters in an underwritten public offering (the "2024 Offering"): (i) 750,000 shares of common stock at a public offering price of \$ 260.00 per share, (ii) pre-funded warrants (the "2024 Pre-Funded Warrants") to purchase 1,557,692 shares of common stock at a public offering price of \$ 259.9999 per 2024 Pre-Funded Warrant, which represents the per share public offering price for the common stock less a \$ 0.0001 per share exercise price for each such Pre-Funded Warrant, and (iii) a 30-day option for the 2024 Underwriters to purchase up to 346,153 additional shares of common stock at the public offering price of \$ 260.00 per share (the "Underwriters' Option"). The 2024 Offering closed on March 21, 2024. The gross proceeds of the 2024 Offering was \$ 600.0 million, and the Company received net proceeds, after deducting the underwriting discount and commissions and other estimated offering expenses payable by the Company, of approximately \$ 574.0 million.

The Underwriters' Option was later exercised in full, and closed on April 2, 2024. The net proceeds to the Company for the exercise of the Underwriters' Option, after deducting the underwriting discounts and commissions and estimated offering expenses payable by the Company, was approximately \$ 85.9 million.

The Company intends to use the net proceeds from the 2024 Offering for its commercial activities in connection with the launch of Rezdifra in the U.S. and for general corporate purposes, including, without limitation, research and development expenditures, ongoing clinical trial expenditures, manufacture and supply of drug substance and drug products, potential ex-U.S. commercialization or partnering opportunities, potential acquisitions or licensing of new technologies, capital expenditures and working capital.

The 2024 Pre-Funded Warrants are exercisable at any time after the date of issuance. A holder of 2024 Pre-Funded Warrants may not exercise the warrant if the holder, together with its affiliates, would beneficially own more than 9.99 % of the number of shares of common stock outstanding immediately after giving effect to such exercise. A holder of 2024 Pre-Funded Warrants may increase or decrease this percentage, but not in excess of 19.99 %, by providing at least 61 days prior notice to the Company.

## 2023 Public Offering

On September 28, 2023, the Company entered into an Underwriting Agreement with Goldman Sachs & Co. LLC, as representative of the several underwriters named therein (the "2023 Underwriters"), pursuant to which the Company sold to the 2023 Underwriters in an underwritten public offering (the "2023 Offering"): (i) 1,248,098 shares of common stock at a public offering price of \$ 151.69 per share, and (ii) pre-funded warrants (the "2023 Pre-Funded Warrants") to purchase 2,048,098 shares of common stock at a public offering price of \$ 151.6899 per 2023 Pre-Funded Warrant, which represents the per share public offering price for the common stock less a \$ 0.0001 per share exercise price for each such 2023 Pre-Funded Warrant. The 2023 Offering closed on October 3, 2023.

The gross proceeds of the 2023 Offering was \$ 500.0 million, and the Company received net proceeds, after deducting the underwriting discount and commissions and other estimated offering expenses payable by the Company, of approximately \$ 472.0 million. The Company intends to use the net proceeds from the Offering for its clinical and

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commercial activities in preparation for the launch of resmetirom in the U.S. and for general corporate purposes, including, without limitation, research and development expenditures, clinical trial expenditures, manufacture and supply of drug substance and drug products, potential acquisitions or licensing of new technologies, capital expenditures and working capital.

The 2023 Pre-Funded Warrants are exercisable at any time after the date of issuance. A holder of 2023 Pre-Funded Warrants may not exercise the warrant if the holder, together with its affiliates, would beneficially own more than 9.99 % of the number of shares of common stock outstanding immediately after giving effect to such exercise. A holder of 2023 Pre-Funded Warrants may increase or decrease this percentage, but not in excess of 19.99 %, by providing at least 61 days prior notice to the Company.

### **At-The-Market Issuance Sales Agreement**

In June 2021, the Company entered into an at-the-market sales agreement (the "2021 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 2021 Sales Agreement initially authorized an aggregate offering of up to \$ 200.0 million in shares of the Company's 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. Subject to the terms and conditions of the 2021 Sales Agreement, Cowen would 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 imposed).

In May 2023, the Company entered into an amendment to the 2021 Sales Agreement (the "Sales Agreement Amendment"), with Cowen, pursuant to which the Company could, from time to time, issue and sell an additional \$ 200.0 million in shares of its common stock, until it was terminated in May 2024. The Company was not obligated to make any sales of its common stock under this arrangement. Any shares sold would be sold pursuant to the Registration Statement and prospectus supplement filed pursuant to the Registration Statement. The 2021 Sales Agreement, as amended by the Sales Agreement Amendment, authorized sales of shares of the Company's common stock, from time to time, at the Company's option, through Cowen as its sales agent. Sales of common stock through Cowen may be made by any method that is deemed an "at-the-market" offering as defined in Rule 415 promulgated under the Securities Act of 1933, as amended, and as described in the prospectus supplement.

Since the entry into the Sales Agreement Amendment in May 2023, the Company sold 98,101 shares in total under the 2021 Sales Agreement, as amended by the Sales Agreement Amendment, for an aggregate of \$ 25.2 million in gross proceeds, with net proceeds to the Company of approximately \$ 24.5 million after deducting commissions and other transaction costs. All shares were sold pursuant to the Company's effective Registration Statement and the prospectus supplement relating thereto. In total, the Company sold 1,334,044 shares of Common Stock having an aggregate offering price of \$ 225.1 million pursuant to the 2021 Sales Agreement, as amended by the Sales Agreement Amendment.

In May 2024, the Company entered into a Sales Agreement (the "2024 Sales Agreement") with Cowen, replacing and superseding the 2021 Sales Agreement, as amended by the Sales Agreement Amendment which was terminated effective upon the entry into the 2024 Sales Agreement. The Company is authorized to issue and sell up to \$ 300.0 million in shares of the Company's common stock under the 2024 Sales Agreement. The Company sold no shares in the three and nine months ended September 30, 2024 under either the 2021 Sales Agreement, as amended by the Sales Agreement Amendment, or the 2024 Sales Agreement.

### **9. Stock-based Compensation**

#### **2015 Stock Plan**

The Company's 2015 Stock Plan, as amended (the "2015 Stock Plan"), is one of the Company's equity incentive compensation plans 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, restricted stock units 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. 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. On June 25, 2024, the Company's stockholders approved an amendment to the 2015 Stock Plan to increase the total number of shares of common stock

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available for issuance by 750,000 and extend its duration by ten years until April 23, 2035. As of September 30, 2024, 1,233,829 shares were available for future issuance under the 2015 Stock Plan.

### **2023 Inducement Plan**

In September 2023, the Company adopted the 2023 Inducement Plan (the "Inducement Plan"), pursuant to which the Company may from time to time make equity grants to new employees as a material inducement to their employment. The Inducement Plan was adopted without stockholder approval, pursuant to Nasdaq Listing Rule 5635(c)(4), and is administered by the Compensation Committee of the Board. The Inducement Plan provides for the granting of non-statutory stock options, restricted stock, restricted stock units, performance stock units and other stock-based compensation awards to new employees, but does not allow for the granting of incentive stock options. The terms of the stock options under the Inducement 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 or award is granted. A total of 500,000 shares of the Company's common stock were reserved for issuance under the Inducement Plan. As of September 30, 2024, 21,193 shares were available for future issuance under the 2023 Inducement Plan.

### **Stock Options**

The following table summarizes stock option activity during the nine months ended September 30, 2024:

	Shares	Weighted average exercise price
Outstanding at December 31, 2023	2,355,779	\$ 79.94
Options granted	162,517	234.84
Options exercised	( 748,143 )	76.35
Options cancelled	( 68,535 )	121.89
Outstanding at September 30, 2024	<u>1,701,618</u>	<u>\$ 94.62</u>
Exercisable at September 30, 2024	1,297,563	\$ 78.45

The total cash received by the Company as a result of stock option exercises was \$ 57.1 million and \$ 26.2 million, respectively, for the nine months ended September 30, 2024 and 2023. The total intrinsic value of options exercised was \$ 132.5 million and \$ 51.0 million, respectively, for the nine months ended September 30, 2024 and 2023. The weighted-average grant date fair values, based on the Black-Scholes option model, of options granted during the nine months ended September 30, 2024 and 2023 were \$ 155.41 and \$ 219.02 , respectively.

### **Restricted Stock Units**

The Company's 2015 Stock Plan provides for awards of restricted stock units ("RSUs") to employees, officers, directors and consultants to the Company. The Company's Inducement Plan provides for awards of RSUs to new employees. RSUs vest over a period of months or years, or upon the occurrence of certain performance criteria or the attainment of stated goals or events, and are subject to forfeiture if employment or service terminates before vesting. As of September 30, 2024, the Company had 502,867 restricted stock units outstanding, with a weighted average grant date fair value of \$ 233.42 per unit.

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The following table summarizes RSU activity, excluding performance-based RSUs, during the nine months ended September 30, 2024:

	Shares	Weighted average grant date fair value
Outstanding at December 31, 2023	376,117	\$ 241.45
RSUs granted	275,278	234.64
RSUs vested	( 93,172 )	262.91
RSUs forfeited	( 55,356 )	244.45
Outstanding at September 30, 2024	<u>502,867</u>	<u>\$ 233.42</u>

**Performance-Based Restricted Stock Units**

The Company has granted various performance-based restricted stock units ("PSUs") to certain members of senior leadership. Depending on the terms of the PSUs and the outcome of the pre-established performance criteria, which may include a market and/or performance condition, a recipient may ultimately earn the target number of PSUs granted or a specified multiple thereof at the end of the vesting period.

The following table summarizes PSU activity during the nine months ended September 30, 2024:

	PSUs	Eligible to Earn PSUs	Weighted average grant date fair value	
Outstanding PSUs at December 31, 2023	50,000	150,000	\$ 146.37	
PSUs granted	51,202	102,404		388.02
PSUs attained	—	—		—
PSUs forfeited	( 8,442 )	( 16,884 )		388.02
Outstanding at September 30, 2024	<u>92,760</u>	<u>235,520</u>	<u>\$ 257.77</u>	

**Outstanding Awards**

As of September 30, 2024, the Company had restricted stock units, performance stock units, and options outstanding pursuant to which an aggregate of 2,440,005 shares of its common stock may be issued pursuant to the terms of all awards granted under the 2015 Stock Plan and Inducement Plan.

**Stock-Based Compensation Expense**

Stock-based compensation expense during the three and nine months ended September 30, 2024 and 2023 was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Stock-based compensation expense by type of award:</b>				
Stock options	\$ 4,978	\$ 8,375	\$ 21,891	\$ 24,404
Restricted stock units	8,292	3,652	26,835	9,846
Performance-based restricted stock units	4,628	633	13,478	633
<b>Total stock-based compensation expense</b>	<b>\$ 17,898</b>	<b>\$ 12,660</b>	<b>\$ 62,204</b>	<b>\$ 34,883</b>
<b>Effect of stock-based compensation expense by line item:</b>				
Research and development	\$ 5,570	\$ 5,133	\$ 17,059	\$ 15,703
Selling, general and administrative	12,328	7,527	45,145	19,180
<b>Total stock-based compensation expense included in net loss</b>	<b>\$ 17,898</b>	<b>\$ 12,660</b>	<b>\$ 62,204</b>	<b>\$ 34,883</b>

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Unrecognized stock-based compensation expense as of September 30, 2024 was \$ 139.1 million with a weighted average remaining period of 2.71 years.

### **10. Commitments and Contingencies**

The Company has entered into customary contractual arrangements and letters of intent in preparation for and in support of operations in the normal course of business.

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. In March 2024, upon receiving FDA approval of Rezdiffra, a milestone was achieved and \$ 5.0 million became due to Roche. Remaining milestones under the agreement total \$ 3.0 million and are payable upon the Company achieving specified objectives related to future regulatory approval in 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 began accruing for royalty payments following its commercial launch of Rezdiffra in April 2024. The Company did not achieve any product development or regulatory milestones for the nine months ended September 30, 2023.

In 2019, the Company entered into an operating lease for office space located in West Conshohocken, PA (the "Office Lease"), which was later updated by three amendments entered into from 2019 to 2022. In May 2023, the Company entered into the Fourth Amendment to the Office Lease (the "Fourth Lease Amendment"), which did not have a financial impact. In August 2023, the Company entered into the Fifth Amendment to the Office Lease (the "Fifth Lease Amendment"). The Fifth Lease Amendment extended the term of the Office Lease through November 2026. As a result of the Fifth Lease Amendment, an incremental \$ 1.6 million right-of-use asset and lease liabilities were recorded during the year ended December 31, 2023.

In April 2024 and May 2024, the Company entered into the Sixth Amendment (the "Sixth Lease Amendment") and the Seventh Amendment (the "Seventh Lease Amendment") to the Office Lease, respectively, leasing additional office space in the same premises under the Office Lease. The lease for the additional office space commenced in September 2024 and resulted in an incremental \$ 1.2 million right-of-use asset and lease liability being recorded for the quarter ended September 30, 2024.

In August 2024, the Company entered into the Eighth (the "Eighth Lease Amendment") and in October 2024, the Company entered into the Ninth Amendment (the "Ninth Lease Amendment") to the Office Lease further expanding the amount of office space in the same premises. The commencement date of the Eighth and Ninth Lease Amendments did not occur as of September 30, 2024, therefore had no impact to the financial statements.

### **11. Subsequent Events**

None.

\*\*\*\*\* END OF FINANCIAL STATEMENTS \*\*\*\*\*

**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," "expectation," "expects," "forecasts," "future," "goal," "help," "hopeful," "inform," "informed," "intends," "may," "might," "on track," "planned," "planning," "plans," "positions," "potential," "powers," "predicts," "predictive," "projects," "seeks," "should," "will," "will achieve," "will be," "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 potential ex-U.S. commercial or partnering opportunities), 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;
- Post-approval requirements and commitments, including verification of a clinical benefit in confirmatory trials;
- Our ability to delay certain commercial expansion activities and research activities and related 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 Rezdiflra/resmetirom, including projected market size, sector leadership, and patient treatment estimates for NASH and nonalcoholic 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;
- Rezdiflra's potential to be a cost-effective specialty therapy for NASH patients with significant liver fibrosis (consistent with fibrosis stages 2 and 3);
- Projections or objectives for obtaining full approval for resmetirom for NASH patients with significant fibrosis (or non-cirrhotic NASH patients) and NASH patients with compensated cirrhosis, including all statements concerning potential clinical benefit to support approval and/or potential approval;
- Estimates of patients diagnosed with NASH, the relationship between NASH progression and adverse patient outcomes and the estimated clinical burden of uncontrolled NASH;
- 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;
- Analyses for patients with NASH with significant fibrosis concerning potential progression to cirrhosis, decompensated cirrhosis, liver transplant or death, and cardiovascular risks, comorbidities and outcomes;
- Our ability to address the unmet needs of patients suffering from NASH with significant fibrosis,
- 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 treatment option for patients with NASH and significant fibrosis;
- The ability to develop clinical evidence demonstrating the utility of non-invasive tools and techniques to screen and diagnose NASH and/or NAFLD patients;

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- 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 fibrosis reduction with resmetirom or improvement 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;
- Market demand for and acceptance of our products;
- Research, development and commercialization of new products;
- The potential for resmetirom to be an effective treatment for other disease indications;
- 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;
- The potential impact of cyber attacks and other security incidents on our operations or business;
- Our continued reliance on third-party contract manufacturers for the manufacture of our product candidates, including resmetirom;
- 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 and commercial development of resmetirom; the challenges with the commercial launch of a new product, particularly for a company that does not have commercial experience; enrollment and trial outlook uncertainties, generally, based on blinded, locked or limited trial data; 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 meet post-approval commitments and requirements, including completion of enrollment of—and ability to obtain positive data from—any confirmatory studies required by the FDA; 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; our ability to prevent and/or mitigate cybersecurity attacks, unauthorized exfiltration of data or other security incidents; 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; and uncertainties concerning analyses or assessments outside of a controlled clinical trial. 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 II, Item 1A of this Quarterly Report on Form 10-Q and Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 28, 2024 (the "2023 Form 10-K"), as well as in our other filings with the SEC. You should read the 2023 Form 10-K, 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.

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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, 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 the year ended December 31, 2023 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 under "Cautionary Note Regarding Forward-Looking Statements," our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" sections contained in our Annual Report on Form 10-K for the year ended December 31, 2023. Our operating results are not necessarily indicative of results that may occur for the full fiscal year or any other future period. As used herein, "Rezdifra" refers to resmetrirom approved by the FDA for the treatment of adults with NASH with moderate to advanced liver fibrosis, and "resmetrirom" refers to, where applicable, Rezdifra as well as resmetrirom for the treatment of indications beyond NASH with moderate to advanced liver fibrosis.

**About Madrigal Pharmaceuticals, Inc.**

We are a biopharmaceutical company focused on delivering novel therapeutics for nonalcoholic steatohepatitis ("NASH"), a serious liver disease with high unmet medical need that can lead to cirrhosis, liver failure and premature mortality. NASH is expected to become the leading cause of liver transplantation in the U.S. and is already the leading cause of liver transplantation among women in the U.S. Our medication, Rezdifra (resmetrirom), is a once-daily, oral, liver-directed THR- $\beta$  agonist designed to target key underlying causes of NASH. In March 2024, Rezdifra became the first and only FDA-approved therapy for patients with NASH. Rezdifra became commercially available in the United States in April 2024. Rezdifra is indicated in conjunction with diet and exercise for the treatment of adults with noncirrhotic NASH with moderate to advanced liver fibrosis (consistent with stages F2 to F3 fibrosis).

**NASH Disease State Overview.** NASH is a more advanced form of nonalcoholic fatty liver disease (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. Additionally, patients with NASH, especially those with more advanced metabolic risk factors (hypertension, concomitant type 2 diabetes), are at increased risk for adverse cardiovascular events and increased morbidity and mortality. Once patients progress to NASH with moderate to advanced fibrosis (consistent with fibrosis stages F2 and F3), the risk of adverse liver outcomes increases substantially.

NASH is also known as metabolic dysfunction-associated steatohepatitis ("MASH") following a change in disease nomenclature introduced by hepatology medical societies in 2023.

**Our Patient Focus.** We estimate that approximately 1.5 million patients have been diagnosed with NASH in the U.S., of which approximately 525,000 have NASH with moderate to advanced fibrosis. We estimate that approximately 315,000 diagnosed patients with NASH with moderate to advanced fibrosis are under the care of specialist physicians which we are targeting during the commercial launch of Rezdifra.

**Our Clinical Development Program.** We are currently conducting multiple Phase 3 clinical trials to evaluate the safety and efficacy of Rezdifra for the treatment of NASH, including the pivotal MAESTRO-NASH biopsy study in patients with significant fibrosis, the MAESTRO-NASH Outcomes study in patients with NASH with compensated cirrhosis and the MAESTRO-NAFLD-1 OLE safety study. Positive results from the pivotal MAESTRO-NASH biopsy study were published in the *New England Journal of Medicine* in February 2024.

Data from the 52-week first 1,000 patient portion of MAESTRO-NASH, together with data from MAESTRO-NAFLD-1, the open-label extension of the MAESTRO-NAFLD-1 study, Phase 2 and Phase 1 data, including safety parameters, formed the basis for our successful subpart H submission to the U.S. Food & Drug Administration ("FDA") for accelerated approval of Rezdifra for treatment of NASH with moderate to advanced liver fibrosis.

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### **Key Developments**

On October 21, 2024, we announced that we completed enrollment in the MAESTRO-NASH OUTCOMES trial evaluating resmetirom for the treatment of patients with compensated NASH cirrhosis. MAESTRO-NASH OUTCOMES is a Phase 3, double-blind, randomized, placebo-controlled study that noninvasively measures progression to liver decompensation events. The study duration is expected to be two to three years for accrual of the required number of composite clinical outcome events.

On September 30, 2024, we announced publication of health-related quality of life results from the Phase 3 MAESTRO-NASH trial of Rezdifra. Patients treated with Rezdifra experienced clinically meaningful and statistically significant improvements in emotional well-being and health distress. The results were published in the journal *Hepatology*.

On June 6, 2024, we announced new data from the Phase 3 MAESTRO-NASH study of Rezdifra presented at the European Association for the Study of the Liver (EASL) Congress. Our key Rezdifra presentations at the EASL Congress included (i) a late-breaking artificial intelligence-based analysis of MAESTRO-NASH biopsy data; (ii) noninvasive test data that demonstrated durable treatment response to Rezdifra; (iii) the first analysis of health-related quality of life data from MAESTRO-NASH; and (iv) the first analysis of Rezdifra treatment in metabolic dysfunction and alcohol-associated liver disease (MetALD).

On May 7, 2024, we entered into a Sales Agreement (the "2024 Sales Agreement") with TD Securities (USA) LLC, ("TD Cowen"), pursuant to which we may issue and sell through or to TD Cowen, acting as agent or principal, shares of our common stock, par value \$0.0001 per share (the "Common Stock"), from time to time having an aggregate sales price of up to \$300.0 million (the "ATM Offering"). The 2024 Sales Agreement replaces and supersedes the prior sales agreement, dated June 1, 2021 and amended on May 9, 2023, between the us and Cowen and Company, LLC, an affiliate of TD Cowen (the "Prior Sales Agreement"), which was terminated effective upon the entry into the 2024 Sales Agreement. We sold 1,334,044 shares of Common Stock having an aggregate offering price of \$225.1 million pursuant to the Prior Sales Agreement.

On March 18, 2024, we announced we had commenced an underwritten public offering of \$500.0 million in shares of our common stock and pre-funded warrants to purchase shares of our common stock. The size of the offering was increased by \$100.0 million subsequent to the initial announcement, for a total of approximately \$600.0 million gross proceeds before underwriting discounts, commissions, and other expenses. The \$600.0 million offering closed on March 21, 2024, and we received net proceeds totaling approximately \$574.0 million in the three months ended March, 31, 2024. The underwriters exercised in full their 30-day option to purchase additional shares of common stock, resulting in an additional \$90.0 million gross proceeds. The exercise of the underwriters' option closed on April 2, 2024 and we received net proceeds totaling approximately \$85.9 million. We collectively sold an aggregate of 1,096,153 shares of our common stock and pre-funded warrants to purchase 1,557,692 shares of our common stock in the underwritten offering.

On March 14, 2024, we announced that the FDA granted accelerated approval of Rezdifra (resmetirom) in conjunction with diet and exercise for the treatment of adults with noncirrhotic nonalcoholic steatohepatitis ("NASH") with moderate to advanced liver fibrosis (consistent with stages F2 to F3 fibrosis). On April 9, 2024, we announced U.S. availability of Rezdifra for the treatment of patients with noncirrhotic NASH with moderate to advanced liver fibrosis.

### **Basis of Presentation**

#### **Product Revenue, Net**

In March 2024, the FDA approved Rezdifra for the treatment of noncirrhotic NASH with moderate to advanced liver fibrosis (consistent with stages F2 to F3 fibrosis). Rezdifra is a once-daily, oral, liver-directed, THR-β agonist designed to target key underlying causes of NASH. Rezdifra was launched for sale in the U.S. in April 2024.

#### **Cost of Sales**

Cost of sales includes the cost of manufacturing and distribution of inventory related to sales of Rezdifra. We expect cost of sales to increase in the future, as manufacturing costs incurred prior to regulatory approval were expensed to research and development rather than capitalized as inventory, as approval was considered uncertain.

#### **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

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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 study 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. 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.

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.

### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses consist primarily of salaries, benefits and stock-based compensation expenses for employees, management costs, costs associated with commercial activities, 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 selling, general and administrative expenses will increase in the future as we expand our operating activities, continue commercialization efforts, including evaluating expansion plans, 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, stock-based compensation expense, gross to net expenses, and inventory valuation. 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

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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 as compared to those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 filed with the SEC on February 28, 2024, aside from the addition of estimates related to revenue recognition and inventory valuation. Refer to Note 2 to the condensed consolidated financial statements for details of accounting policies over revenue and inventory.

### **Revenue Recognition**

Our accounting policy over revenue recognition has a significant impact on the financial results and involves substantial judgement and estimation. The amount of revenue we recognize is impacted by variable consideration, as described in Note 2. Our gross to net estimates are based on contracts with customers, government agencies, healthcare providers, industry data, historical information, and other factors. The judgements and estimates involved in determining variable consideration are reviewed each reporting period, as all are subject to adjustments as new information becomes available.

### **Inventory**

We value our inventories at the lower of cost or estimated net realizable value using the first-in, first-out ("FIFO") method, as described in Note 2. The value of our inventories is impacted by excess, slow-moving, and obsolete items, which could lead to write downs in value. We periodically review our inventory for factors that could impact the future recoverability and realization of future sales, which requires estimates and judgements.

### **Results of Operations**

#### **Three Months Ended September 30, 2024 and 2023**

The following table provides comparative unaudited results of operations for the three months ended September 30, 2024 and 2023 (in thousands):

	Three Months Ended		Increase / (Decrease)	
	September 30,		\$	%
	2024	2023		
Product revenue, net	\$ 62,175	\$ —	\$ 62,175	100 %
Operating expenses:				
Cost of sales	2,152	—	2,152	100 %
Research and development	68,742	70,951	(2,209)	(3)%
Selling, general and administrative	107,585	27,583	80,002	290 %
Interest income	(13,019)	(3,298)	9,721	295 %
Interest expense	3,679	3,504	175	5 %
	\$ (106,964)	\$ (98,740)	\$ (8,224)	8 %

### **Revenue**

We began selling Rezdifra in April 2024. For the three months ended September 30, 2024, we recorded \$62.2 million of product revenue, net.

### **Cost of Sales**

Cost of sales were incurred as a result of sales of Rezdifra. For the three months ended September 30, 2024, we recorded \$2.2 million of cost of sales.

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### *Research and Development Expenses*

The following table represents our research and development expenses for the three months ended September 30, 2024 and 2023 (in thousands):

	Three Months Ended September 30,		Increase / Decrease	
	2024	2023	\$	%
Personnel and Internal Expense	\$ 17,911	\$ 12,926	\$ 4,985	39 %
External Expense	50,831	58,025	(7,194)	(12)%
<b>Total</b>	<b>\$ 68,742</b>	<b>\$ 70,951</b>	<b>\$ (2,209)</b>	<b>(3)%</b>

Our research and development expenses were \$68.7 million for the three months ended September 30, 2024, compared to \$71.0 million in the corresponding period in 2023. Research and development expenses decreased by \$2.2 million in the 2024 period primarily due to the change in accounting for inventory costs following FDA approval of Rezdifra in March 2024, partially offset by increases in headcount.

### *Selling, General and Administrative Expenses*

Our selling, general and administrative expenses were \$107.6 million for the three months ended September 30, 2024, compared to \$27.6 million in the corresponding period in 2023. Selling, general and administrative expenses increased by \$80.0 million in the 2024 period due primarily to increases for commercial launch activities for Rezdifra, including a corresponding increase in headcount, and an increase in stock compensation expense.

### *Interest Income*

Our net interest income was \$13.0 million for the three months ended September 30, 2024, compared to \$3.3 million in the corresponding period in 2023. The increase in interest income was due primarily to higher principal balances and interest rates in 2024.

### *Interest Expense*

Our interest expense was \$3.7 million for the three months ended September 30, 2024, compared to \$3.5 million in the corresponding period in 2023. The increase of \$0.2 million was primarily the result of a higher average outstanding principal balance during the period under the Loan Facility with Hercules.

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**Nine Months Ended September 30, 2024 and 2023**

	Nine Months Ended September 30,		Increase / (Decrease)	
	2024	2023	\$	%
Product revenue, net	\$ 76,813	\$ —	\$ 76,813	100 %
Operating expenses:				
Cost of sales	2,788	—	2,788	100 %
Research and development	211,070	201,710	9,360	5 %
Selling, general and administrative	293,834	61,610	232,224	377 %
Interest income	(35,575)	(10,625)	24,950	235 %
Interest expense	11,172	8,741	2,431	28 %
	<b>\$ (406,476)</b>	<b>\$ (261,436)</b>	<b>\$ (145,040)</b>	<b>55 %</b>

**Revenue**

We began selling Rezdiffra in April 2024. For the nine months ended September 30, 2024, we recorded \$76.8 million of product revenue, net.

**Cost of Sales**

Cost of sales were incurred as a result of sales of Rezdiffra. For the nine months ended September 30, 2024, we recorded \$2.8 million of cost of sales.

**Research and Development Expenses**

The following table represents our research and development expenses for the nine months ended September 30, 2024 and 2023 (in thousands):

	Nine Months Ended September 30,		Increase / Decrease	
	2024	2023	\$	%
Personnel and Internal Expense	\$ 51,923	\$ 37,836	\$ 14,087	37 %
External Expense	159,147	163,874	(4,727)	(3) %
<b>Total</b>	<b>\$ 211,070</b>	<b>\$ 201,710</b>	<b>\$ 9,360</b>	<b>5 %</b>

Our research and development expenses were \$211.1 million for the nine months ended September 30, 2024, compared to \$201.7 million in the corresponding period in 2023. Research and development expenses increased by \$9.4 million in the 2024 period due primarily to an increase in headcount and a corresponding increase in stock compensation expense, partially offset by a reduction in external expense due to the change in accounting for inventory costs following FDA approval of Rezdiffra in March 2024.

**Selling, General and Administrative Expenses**

Our selling, general and administrative expenses were \$293.8 million for the nine months ended September 30, 2024, compared to \$61.6 million in the corresponding period in 2023. Selling, general and administrative expenses

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increased by \$232.2 million in the 2024 period due primarily to increases in commercial preparation and launch activities for Rezdifra, including a corresponding increase in headcount, and an increase in stock compensation expense.

### *Interest Income*

Our net interest income was \$35.6 million for the nine months ended September 30, 2024, compared to \$10.6 million in the corresponding period in 2023. The increase in interest income was due primarily to higher principal balances and interest rates in 2024.

### *Interest Expense*

Our interest expense was \$11.2 million for the nine months ended September 30, 2024, compared to \$8.7 million in the corresponding period in 2023. The increase in interest expense was primarily the result of a higher outstanding principal balance during the period under the Loan Facility with Hercules.

### **Liquidity and Capital Resources**

Since inception, we have incurred significant net losses and we have funded our operations primarily through proceeds from sales of our capital stock and debt financings.

As of September 30, 2024, we had cash, cash equivalents, restricted cash, and marketable securities totaling \$1,003.6 million compared to \$634.1 million as of December 31, 2023, with this increase attributable to our 2024 public offering, where we received net proceeds of approximately \$574.0 million in March 2024, and net proceeds of approximately \$85.9 million in April 2024 as a result of the underwriters' exercise in full of their option to purchase additional shares as part of the March 2024 offering.

While our rate of cash usage will likely increase in the future, in particular to support our product development and clinical trial efforts, as well as commercialization efforts and geographic expansion activities, we believe our available cash resources are sufficient to fund our operations past one year from the issuance of the financial statements contained herein. Our future long-term liquidity requirements will be substantial and will depend on many factors, including our ability to effectively commercialize Rezdifra. To meet future long-term liquidity requirements, as well as maintain compliance with certain of our Loan Facility covenants, we may need to raise additional capital to fund our operations through equity or debt financings, collaborations, partnerships or other strategic transactions. Additional capital, if needed, may not be available on terms acceptable to us, or at all. If adequate funds are not available, or if the terms of potential funding sources are unfavorable, it could have a material adverse effect on our business, results of operations, and financial condition. We have the ability to delay certain commercial activities, geographic expansion activities, and certain research activities and related clinical expenses if necessary due to liquidity concerns until a date when those concerns are relieved.

### *At-the-Market Sales Agreement*

In May 2023, we entered into Amendment No. 1 (the "Sales Agreement Amendment") to our existing sales agreement (the "2021 Sales Agreement") with Cowen, which was subsequently terminated in May 2024 when we entered into a Sales Agreement (the "2024 Sales Agreement") with Cowen, replacing and superseding the 2021 Sales Agreement, as amended by the Sales Agreement Amendment. We are authorized to issue and sell up to \$300.0 million in shares of our common stock under the 2024 Sales Agreement. We sold no shares during the three and nine months ended September 30, 2024 under either the 2021 Sales Agreement, as amended by the Sales Agreement Amendment or the 2024 Sales Agreement.

As of September 30, 2024, \$300.0 million remained reserved and available for sale under the 2024 Sales Agreement and our related prospectus supplement.

Sales of our common stock, if any, under the 2024 Sales Agreement will be made by any method that is deemed to be an "at the market" offering as defined in Rule 415(a)(4) of the Securities Act of 1933, as amended. We have no obligation to sell any common stock and may at any time suspend offers under the 2024 Sales Agreement or terminate the 2024 Sales Agreement pursuant to its terms.

### *Loan Facility*

In May 2022 we entered into the \$250.0 million Loan Facility (the "Loan Facility") with Hercules Capital, Inc. ("Hercules"). Under the terms of the Loan Facility, the first \$50.0 million tranche ("Tranche 1") was drawn at closing. On February 3, 2023, we entered into the First Amendment (the "First Amendment") to the Loan Facility (as amended, the

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"Amended Loan Facility"). Under the Amended Loan Facility, \$65.0 million was drawn in 2023 under the second tranche ("Tranche 2"). The third tranche ("Tranche 3") of \$75.0 million became available to us when we obtained FDA approval for Rezdiflra in March 2024. We did not draw on Tranche 3 prior to its expiration in June 2024. On August 22, 2024, we entered into the Second Amendment (the "Second Amendment") to the Loan Facility (as amended by the First Amendment and the Second Amendment, the "Second Amended Loan Facility"). Under the Second Amended Loan Facility, our borrowing capacity available under Tranche 4 is increased to include the \$75.0 million available under Tranche 3 that was not utilized by us. After such increase, our current borrowing capacity \$135.0 million under Tranche 4, which is available subject to Hercules' sole discretion.

In connection with Tranche 1, in 2022 we issued Hercules warrants to purchase 14,899 shares of our common stock, which had a Black-Scholes value of \$0.6 million. In connection with Tranche 2, in 2023 we issued to Hercules warrants to purchase an aggregate of 4,555 shares of common stock, which had a Black-Scholes value of \$0.9 million.

The Loan Facility had a minimum interest rate of 7.45% and adjusted with changes in the prime rate. The Amendment reduced the interest rate under the Amended Loan Facility to the greater of (i) the prime rate as reported in The Wall Street Journal plus 2.45% and (ii) 8.25%. We were to originally pay interest-only monthly payments of accrued interest under the Loan Facility through May 1, 2025, for a period of 36 months. That period was extended in March 2024 to May 1, 2026 upon achievement of a milestone related to FDA approval. The period can further be extended to May 3, 2027, upon the achievement of a future revenue milestone, subject to compliance with applicable covenants. The Loan Facility originally matured in May 2026, but was extended to May 2027 upon the achievement a milestone related to FDA approval. The Loan Facility is secured by a security interest in substantially all of our 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.

The Loan Facility includes affirmative and restrictive financial covenants which commenced 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 we achieve certain clinical milestones and a revenue milestone, and a revenue-based covenant that may apply commencing at or after the time that financial reporting is due for the quarter ending September 30, 2024, subject to certain exceptions in the event that we maintain a specified market capitalization or an unrestricted cash balance as set forth in the Loan Facility. The Loan Facility contains event of default provisions for: our failure to make required payments or maintain compliance with covenants under the Loan Facility; our breach of certain representations or default under certain obligations outside the Loan Facility; insolvency, attachment or judgment events affecting us; and any circumstance which has occurred or could reasonably be expected to have a material adverse effect on us, provided that, any failure to achieve approval or certain other milestones under the Loan Facility shall not in and of itself constitute a material adverse effect. 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.

As of September 30, 2024, the outstanding principal under the Loan Facility was \$115.0 million. The interest rate as of September 30, 2024 was 10.45%. As of September 30, 2024, we were in compliance with all loan covenants and provisions.

### *March 2024 Public Offering*

On March 18, 2024, we entered into an Underwriting Agreement with Goldman Sachs & Co. LLC, Jefferies LLC, Cowen and Company, LLC, Evercore Group L.L.C. and Piper Sandler & Co, as representatives of the several underwriters named therein (the "2024 Underwriters"), pursuant to which we sold to the 2024 Underwriters in an underwritten public offering (the "2024 Offering"): (i) 750,000 shares of common stock at a public offering price of \$260.00 per share, (ii) pre-funded warrants (the "2024 Pre-Funded Warrants") to purchase 1,557,692 shares of common stock at a public offering price of \$259.9999 per 2024 Pre-Funded Warrant, which represents the per share public offering price for the common stock less a \$0.0001 per share exercise price for each such Pre-Funded Warrant, and (iii) a 30-day option for the 2024 Underwriters to purchase up to 346,153 additional shares of common stock at the public offering price of \$260.00 per share (the "Underwriters' Option"). The 2024 Offering closed on March 21, 2024.

The gross proceeds of the 2024 Offering was \$600.0 million, and we received net proceeds, after deducting the underwriting discount and commissions and other estimated offering expenses payable by us, of approximately \$574.0 million.

The Underwriters' Option was later exercised in full, and closed on April 2, 2024. We received net proceeds for the exercise of the Underwriters' Option, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, of approximately \$85.9 million.

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We intend to use the net proceeds from the 2024 Offering for our commercial activities in connection with the commercial launch of Rezzdiffra in the U.S. and for general corporate purposes, including, without limitation, research and development expenditures, ongoing clinical trial expenditures, manufacture and supply of drug substance and drug products, potential ex-U.S. commercialization or partnering opportunities, potential acquisitions or licensing of new technologies, capital expenditures and working capital.

The 2024 Pre-Funded Warrants are exercisable at any time after the date of issuance. A holder of 2024 Pre-Funded Warrants may not exercise the warrant if the holder, together with its affiliates, would beneficially own more than 9.99% of the number of shares of common stock outstanding immediately after giving effect to such exercise. A holder of 2024 Pre-Funded Warrants may increase or decrease this percentage, but not in excess of 19.99%, by providing at least 61 days prior notice to us.

### *2023 Public Offering*

On September 28, 2023, we entered into an Underwriting Agreement with Goldman Sachs & Co. LLC, as representative of the several underwriters named therein, pursuant to which we sold to the underwriters in an underwritten public offering (the "2023 Offering"): (i) 1,248,098 shares of common stock at a public offering price of \$151.69 per share, and (ii) pre-funded warrants (the "2023 Pre-Funded Warrants") to purchase 2,048,098 shares of common stock at a public offering price of \$151.6899 per 2023 Pre-Funded Warrant, which represents the per share public offering price for the common stock less a \$0.0001 per share exercise price for each such 2023 Pre-Funded Warrant. The 2023 Offering closed on October 3, 2023.

The gross proceeds of the 2023 Offering was \$500.0 million, and we received net proceeds, after deducting the underwriting discount and commissions and other estimated offering expenses payable by us, of approximately \$472.0 million. We intend to use the net proceeds from the 2023 Offering for our clinical and commercial activities for the launch of resmetirom in the U.S. and for general corporate purposes, including, without limitation, research and development expenditures, clinical trial expenditures, manufacture and supply of drug substance and drug products, potential acquisitions or licensing of new technologies, capital expenditures and working capital.

The 2023 Pre-Funded Warrants are exercisable at any time after the date of issuance. A holder of 2023 Pre-Funded Warrants may not exercise the warrant if the holder, together with its affiliates, would beneficially own more than 9.99% of the number of shares of common stock outstanding immediately after giving effect to such exercise. A holder of 2023 Pre-Funded Warrants may increase or decrease this percentage, but not in excess of 19.99%, by providing at least 61 days prior notice to us.

### *Cash Flows*

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

	Nine Months Ended September 30,	
	2024	2023
Net cash used in operating activities	\$ (351,086)	\$ (244,297)
Net cash used in investing activities	(226,436)	(140,397)
Net cash provided by financing activities	715,291	115,200
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$ 137,769	\$ (269,494)

#### *Operating Activities*

Net cash used in operating activities was \$351.1 million for the nine months ended September 30, 2024, compared to \$244.3 million for the corresponding period in 2023. 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.

#### *Investing Activities*

Net cash used in investing activities was \$226.4 million for the nine months ended September 30, 2024, compared to \$140.4 million used in for the corresponding period in 2023. Net cash used in investing activities for the nine months ended September 30, 2024 primarily consisted of \$781.0 million of purchases of marketable securities for our investment

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portfolio, partially offset by \$560.9 million from sales and maturities of marketable securities. Net cash used in investing activities for the corresponding period in 2023 primarily consisted of \$359.5 million of purchases of marketable securities for our investment portfolio, partially offset by \$219.6 million from sales and maturities of marketable securities.

### *Financing Activities*

Net cash provided by financing activities was \$715.3 million for the nine months ended September 30, 2024, compared to \$115.2 million for the corresponding period in 2023. Financing activities for the nine months ended September 30, 2024 consisted of \$574.0 million of net proceeds from our March 2024 public offering, \$85.9 million of net proceeds from the Underwriter's Option in April 2024, and \$57.1 million from exercises of stock options. Net cash provided by financing activities for the corresponding period in 2023 consisted primarily of \$65.0 million from issuance of the Loan Facility, \$26.2 million from proceeds from the exercise of common stock options and \$24.5 million from sales of our common stock under the 2023 Sales Agreement.

### **Contractual Obligations and Commitments**

In 2019, we entered into an operating lease for office space in certain premises located in West Conshohocken, PA (the "Office Lease"), which was further amended by three amendments entered into from 2019 to 2022. In May 2023, we entered into the Fourth Amendment to the Office Lease (the "Fourth Lease Amendment"), which did not have a financial impact. In August 2023, we entered into the Fifth Amendment to the Office Lease (the "Fifth Lease Amendment"). The Fifth Lease Amendment extends the term of the Office Lease through November 2026. As a result of the Fifth Lease Amendment, an incremental \$1.6 million right-of-use asset and lease liabilities were recorded during the year ended December 31, 2023. In April 2024 and May 2024, we entered into the Sixth Amendment (the "Sixth Lease Amendment") and the Seventh Amendment (the "Seventh Lease Amendment") to the Office Lease, respectively, leasing additional office space available in the same premises under the Office Lease. The lease for such additional office space commenced in September 2024 and resulted in an incremental \$1.2 million right-of-use asset and lease liability being recorded for the quarter ending September 30, 2024. In August 2024, we entered into the Eighth Amendment (the "Eighth Lease Amendment") and in October 2024, we entered into the Ninth Amendment (the "Ninth Lease Amendment") to the Office Lease, furthering expanding the amount of office space in the same premises. The leases for the additional office space under the Eighth and Ninth Lease Amendment did not commence as of September 30, 2024, therefore there is no impact to the financial statements during the period ending September 30, 2024.

In May 2022 we entered into the \$250.0 million Loan Facility. As of September 30, 2024, we had drawn \$115.0 million under the facility. We are scheduled to pay interest-only monthly payments of accrued interest under the Loan Facility through May 1, 2026, which period may be extended to May 3, 2027 upon the achievement of future revenue milestones, and subject to compliance with applicable covenants.

We have a Research, Development and Commercialization Agreement with Hoffmann-La Roche ("Roche") which grants us a sole and exclusive license to develop, use, sell, offer for sale and import any Licensed Product as defined by the agreement. We received FDA approval for Rezdiffra in March 2024. A tiered single-digit royalty is payable to Roche on net sales of Rezdiffra, subject to certain reductions.

Except as noted above and the future minimum payments due on the Loan Facility with Hercules set forth in "Note 7 – 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 nine months ended September 30, 2024, as compared to those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 filed with the SEC on February 28, 2024.

### **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.

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In May 2022 we entered into the Loan Facility, which 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 began generating revenue from the sale of Rezdiffra in the second quarter of 2024, but we have historically depended on, and will continue to 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.

### **Effects of Inflation**

We do not believe inflation has had a material effect on our business, financial condition or results of operations during three and nine months ended September 30, 2024 and September 30, 2023, respectively.

### **Item 4. Controls and Procedures.**

#### **Disclosure Controls and Procedures**

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act 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.

Under the supervision of our principal executive officer and principal financial officer, we evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Report. Based on that evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2024.

#### **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**

During the quarter ended September 30, 2024, we continued to evaluate and implement controls over revenue, trade receivables, and inventory which we determined to be a material change in our internal control over financial reporting after Rezdiffra became commercially available in the United States in April 2024. There were no other changes to 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 legal proceedings.

### Item 1A. Risk Factors.

Except as set forth below, 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, 2023, filed with the SEC on February 28, 2024 (the "Annual Report").

***In order to execute our business plan and achieve profitability, we need to effectively commercialize Rezdiffra, which received FDA approval in March 2024 for the treatment of adults with NASH with moderate to advanced liver fibrosis. We may not be able to meet expectations with respect to sales of Rezdiffra or attain profitability and positive cash-flow from operations.***

Rezdiffra is our only drug that has been approved for sale and it has been approved only for the treatment of adults with noncirrhotic NASH with moderate to advanced liver fibrosis in the United States. Rezdiffra became commercially available in the United States in April 2024. We are focusing a significant portion of our activities and resources on Rezdiffra, and we believe our prospects are highly dependent on, and a significant portion of the value of our company relates to, our ability to successfully commercialize Rezdiffra for the treatment of adults with NASH with moderate to advanced liver fibrosis in the United States.

Successful commercialization of Rezdiffra is subject to many risks. We have never, as an organization, launched or commercialized any product other than Rezdiffra, and there is no guarantee that we will be able to successfully commercialize Rezdiffra for its approved indication. There are numerous examples of failures to meet high expectations of market potential, including by pharmaceutical companies with more experience and resources than us. We have built our commercial organization and have hired our U.S. sales force and will continue to refine and further develop our commercial infrastructure in order to successfully commercialize Rezdiffra. We expect that the initial commercial success of Rezdiffra for the treatment of NASH will depend on many factors, including the following:

- the efficacy, cost, approved use, and side-effect profile of Rezdiffra regimens relative to competitive treatment regimens for the treatment of NASH;
- Rezdiffra may compete with the off-label use of currently marketed products and other therapies in development that may in the future obtain approval for NASH;
- the effectiveness of our commercial strategy for the marketing of Rezdiffra, including our pricing strategy and the effectiveness of our efforts to obtain adequate third-party reimbursements;
- developing, maintaining and successfully monitoring commercial manufacturing arrangements for Rezdiffra with third-party manufacturers to ensure they meet our standards and those of regulatory authorities, including the FDA, which extensively regulate and monitor pharmaceutical manufacturing facilities;
- our ability to negotiate and enter into any additional commercial, supply and distribution contracts to support commercialization efforts, and to hire and manage additional qualified personnel;
- our ability to meet the demand for commercial supplies of Rezdiffra at acceptable costs;
- the acceptance of Rezdiffra by physicians, patients and third-party payors;
- our ability to remain compliant with laws and regulations that apply to us and our commercial activities;
- the actual market-size, ability to identify targeted patients and the demographics of patients eligible for Rezdiffra, which may be different than what we currently expect;
- the occurrence of any side effects, adverse reactions or misuse, or any unfavorable publicity in these areas;
- our ability to obtain, maintain or enforce our patents and other intellectual property rights; and
- the effect of recent or potential health care legislation in the United States.

While we believe that Rezdiffra for the treatment of NASH should have a commercially competitive profile, we cannot accurately predict the amount of time needed to attain a commercially successful profile or the amount of revenue that would be generated from the sale of Rezdiffra. If we do not effectively commercialize Rezdiffra, we will not be able to

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execute our business plan and may not be able to achieve profitability. If our revenues, market share and/or other indicators of market acceptance of Rezdifra do not meet the expectations of investors or public market analysts, the market price of our common stock would likely decline.

***Rezdifra has received accelerated approval from the FDA, and therefore faces future post-approval development and regulatory requirements, which present additional challenges for us to successfully navigate.***

The FDA granted accelerated approval of Rezdifra for the treatment of adults with noncirrhotic NASH with moderate to advanced liver fibrosis in the United States in March 2024. Under the accelerated approval pathway, continued approval may be contingent upon verification of a clinical benefit in confirmatory trials. These post-approval requirements and commitments may not be feasible and/or could impose significant burdens and costs on us; could negatively impact our development, manufacturing and supply of our products; and could negatively impact our financial results. Drugs granted accelerated approval must meet the same statutory standards for safety and effectiveness as those granted traditional approval. Failure to meet post-approval commitments and requirements, including completion of enrollment of—and in particular, any failure to obtain positive data from—any confirmatory studies required by the FDA, could result in negative regulatory action from the FDA and/or withdrawal of such accelerated approval. The recently enacted Food and Drug Omnibus Reform Act has expanded FDA's expedited withdrawal procedures for drugs approved through the accelerated approval pathway if a sponsor fails to conduct any required post-approval study with due diligence.

Unless otherwise informed by the FDA, an applicant must submit to the FDA for consideration during the preapproval review period copies of all promotional materials, including promotional labeling as well as advertisements, intended for dissemination or publication within 120 days following marketing approval. After 120 days following marketing approval, unless otherwise informed by the FDA, the applicant must submit promotional materials at least 30 days prior to the intended time of initial dissemination of the labeling or initial publication of the advertisement. If we or the manufacturing facilities for our products fail to comply with applicable regulatory requirements, the FDA may, among other actions: issue warning letters or untitled letters; seek an injunction or impose civil or criminal penalties or monetary fines; suspend or withdraw or alter the conditions of our marketing approval; suspend any ongoing clinical trials; refuse to approve pending applications or supplements to applications submitted by us; suspend or impose restrictions on operations, including costly new manufacturing requirements; and seize or detain products, refuse to permit the import or export of products or require us to initiate a product recall.

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

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

During the quarter ended September 30, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

***Director and Executive Officer 10b5-1 Plans***

Our Section 16 officers and directors may enter into plans or arrangements for the purchase or sale of our securities that are intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act. Such plans and arrangements must comply in all respects with our insider trading policies, including our policy governing entry into and operation of 10b5-1 plans and arrangements.

The following table shows the number of shares of our common stock subject to the current Rule 10b5-1 trading arrangements of our Section 16 officers and directors in place as of October 28, 2024:

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Name of Director or Section 16 Officer	Title of Director or Section 16 Officer	Date of Adoption, Modification, or Termination	Duration of the Plan	Aggregate Number of Shares of Common Stock that may be Sold under the Plan
Richard Levy, MD	Director	11/30/2023	June 16, 2025	15,000

**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.

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EXHIBIT INDEX

Exhibit Number	Exhibit Description	Form	Incorporated by Reference	Filed Herewith
		File No.	Exhibit	Filing Date
10.1*†	<a href="#">Letter Agreement, dated January 3, 2024, by and between Madrigal Pharmaceuticals, Inc. and Shannon Kelley, as amended and supplemented by the Letter Agreement, dated August 2, 2024, by and between Madrigal Pharmaceuticals, Inc. and Shannon Kelley</a>			X
10.2†#	<a href="#">Loan and Security Agreement, dated May 9, 2022, as amended by the First Amendment to Loan and Security Agreement, dated February 3, 2023, and the Second Amendment to Loan and Security Agreement, dated August 22, 2024, 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.</a>			X
31.1	<a href="#">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.</a>			X
31.2	<a href="#">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.</a>			X
32.1**	<a href="#">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. 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.</a>			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.			

\* Indicates a management contract, compensatory plan or arrangement.

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† Certain portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K.

# Exhibits and schedules omitted pursuant to Item 601(a)(5) 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.

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**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: October 31, 2024

By: /s/ William J. Sibold

William J. Sibold

President and Chief Executive Officer

(Principal Executive Officer)

Date: October 31, 2024

By: /s/ Mardi C. Dier

Mardi C. Dier

Senior Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

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.



Four Tower Bridge  
200 Barr Harbor Drive, Suite 200 West Conshohocken, PA 19428

January 3, 2024

Shannon Kelley  
[\*personally identifiable information\*]

Dear Shannon:

I am pleased to offer you the position of **Chief Compliance Officer** for Madrigal Pharmaceuticals, Inc. (hereinafter "**Madrigal Pharmaceuticals**" or the "**Company**") reporting to Bill Sibold.

1. Effective Date: The effective date of your employment will be January 8, 2024.
2. Compensation:
  - a. Salary: Your initial base salary will be payable at a semi-monthly rate of \$16,666.67 (\$400,000 annualized), from which all applicable taxes and other customary employment-related deductions will be taken.
  - b. Bonus: You will be eligible to receive an annual performance-based bonus for the 2024-year contingent upon the Company fully meeting or exceeding expectations, as determined at the discretion of the Company's Compensation Committee, and your satisfaction of individual performance standards and expectations, as determined by your business unit leadership. Subject to these considerations, your 2024 bonus opportunity will be up to 40% bonus target of your annualized salary with the Company for the 2024 year, as described above in Section 2(a) of this offer letter.
3. Stock Options and RSUs: Subject to the approval of the Company's Compensation Committee (the "Committee"), you will be granted as soon as practicable by the Committee on the business day reasonably closest to the first or fifteenth day of the month after your start date (the "Grant Date") equity awards with an aggregate value of \$1,350,000 (your "Hire Award"). Your Hire Award will be composed of 50% RSUs (the "RSU Award") and 50% non-qualified stock options (the "NQSO Award"), subject to the terms and conditions of the Madrigal Pharmaceuticals, Inc. 2023 Inducement Plan (the "Plan"), Company Plan grant policies and practices, and related award agreements, which will be provided after your start date. Your RSU Award will be valued, and the number of shares thereunder will be set, based on the closing price of Company common stock on the Grant Date. Your RSU Award will be subject to the following vesting schedule conditions being met over four years -- 25% of the RSU Award will vest on each of the first, second, third, and fourth year anniversaries of your RSU Award grant date, subject to your

continued employment on such dates; these RSU Awards will contain a “sell-to-cover” automatic market sale of shares to cover Federal and State tax withholding requirements arising on each vesting date. The number and exercise price of the options subject to the NQSO Award will be set based on the closing price of Company common stock on the Grant Date; 25% of the NQSOs will vest on the first anniversary of your grant date and 6.25% of the NQSOs will vest on each quarterly anniversary thereafter, in each case subject to your continued employment on such dates. Future annual equity awards will be made in the discretion of the Company’s Compensation Committee, subject to the Company’s grant policies and the terms and conditions of the applicable Company equity plan and related award agreement in effect at such time.

4. Benefits: As a full-time employee, you will be eligible to participate in certain Company- sponsored health and welfare and 401(k) benefit plans to the same extent as, and subject to the same terms, conditions, and limitations applicable to other employees of the Company of similar rank and tenure. All such benefits may be changed or modified from time to time at the Company’s sole discretion. You will be covered from the first day of employment and enrollment take place within your first 30-days of hire.
5. Paid Time-Off: You will be eligible for Madrigal paid holidays and 152 hours (19 days) of paid time off, prorated in the first partial year of employment, in accordance with the applicable policy guidelines. You will be eligible for 40 hours (5 days) of sick time which is not prorated.
6. Employment Period: Your employment with the Company will be at will, meaning that you will not be obligated to remain employed by the Company for any specified period of time. The Company will not be obligated to continue your employment for any specific period and may terminate your employment at any time, with or without cause.
7. Training: Employment is subject to successful completion of periodic training and testing (at least annually) regarding product knowledge, disease awareness, and other core job competencies is a continuing requirement for this role.
8. Obligations: As a condition to the Company’s willingness to extend you this offer of employment subject to its terms and conditions, you represented orally to (and by signing below you hereby represent to and agree in writing with) the Company, as follows: (a) you are not subject to any agreement, arrangement or obligation that would prohibit, restrict or limit your ability to fully perform services as a **Chief Compliance Officer** or employee of the Company; (b) you will abide by all covenants, policies and restrictions (including but not limited to those related to confidentiality and non-solicitation) of your prior employers or entities for which you served as an employee and/or independent contractor; (c) you will not disclose to the Company any confidential or proprietary information of any other entity or prior employer nor will you use any such information at any time while employed by the Company; and (d) you agree that in the event of any challenge or litigation concerning clauses (a) (b) and/or (c) immediately above, the Company has no obligation to assist you in the defense of such challenge or litigation and the Company has no compensation or payment obligation to you, unless and until such matters have been resolved to the satisfaction of the Company.
9. Contingencies: Our employment offer to you is contingent upon (1) your execution of the standard form of Non-Competition, Confidentiality, and Inventions Agreement (a copy of which is attached hereto as Exhibit A); (2) your ability, as required under federal law, to establish your employment eligibility as a U.S. citizen, a lawful permanent resident of the U.S. or an individual specifically

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authorized for employment by the Immigration and Naturalization Service; and (3) completion of a satisfactory background check and drug screening. If any of the foregoing conditions are not met, this employment offer shall be null and void.

**10. Potential Severance Payment Rights:** Without limiting the at-will nature of your employment relationship, you will be eligible for cash severance payments in certain circumstances, pursuant to the terms of the agreement attached as Exhibit B, which must be fully signed by both parties before becoming effective.

**11. Jurisdiction and Waiver:** In the case of any dispute, this offer of employment shall be interpreted under the laws of the Commonwealth of Pennsylvania. By accepting this offer of employment, you agree that any action, demand, claim or counterclaim in connection with any aspect of your employment with the Company, or any separation of employment (whether voluntary or involuntary) from the Company, shall be resolved in a court of competent jurisdiction in Pennsylvania by a judge alone, and you knowingly waive and forever renounce your right to a trial before a civil jury.

We are very enthusiastic about the prospect of your joining us as a Madrigal Pharmaceuticals employee. Please indicate your acceptance of the foregoing by signing one enclosed copy of this letter and returning it within five days of the date of this letter. After that date, this offer will lapse. If you need additional time to respond to this offer, please let us know immediately.

Sincerely,

MADRIGAL PHARMACEUTICALS, INC.

/s/ Bill Sibold Date: January 6, 2024

Bill Sibold

*Chief Executive Officer*

Agreed to and accepted:

/s/ Shannon Kelley Date: January 5, 2024

Name: Shannon Kelley

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Four Tower Bridge  
200 Barr Harbor Drive, Suite 200 West Conshohocken, PA 19428

**EXHIBIT A**

January 3, 2024

Shannon Kelley  
[\*personally identifiable information\*]

Dear Shannon:

This letter is to confirm our understanding with respect to (i) your agreement not to compete with Madrigal Pharmaceuticals, Inc. or its current or future subsidiaries or Affiliates (collectively, the "Company"), (ii) your agreement to protect and preserve information and property which is confidential and proprietary to the Company and your agreement concerning Company Inventions specified herein (with the terms and conditions agreed to in this letter being referred to as the "Agreement"). For these purposes, an "Affiliate" is a person or entity that controls, is controlled by or is under common control with the Company, with "control" meaning the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract, or otherwise. You hereby acknowledge and agree that you are an "at-will" employee and that no provision of this Agreement shall be construed to create an express or implied employment contract, or a promise of employment for a specific period of time, and the Company expressly reserves the right to end your employment at any time, with or without notice or cause.

In consideration of your employment by the Company, the mutual promises and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, we have agreed as follows:

1. Prohibited Competition and Solicitation.

(a) Certain Acknowledgments and Agreements.

(i) We have discussed, and you recognize and acknowledge the competitive and proprietary aspects of the business of the Company.

(ii) You will devote your full time and efforts to the business of the Company and, during the period of your employment with the Company (the "Term") and for a period of six (6) months following termination of your employment (unless such termination was without cause or the result of a layoff or the Company fails to pay you 50% of base salary for six (6) months following your termination, in which event this restriction in sub-section (ii) shall end at separation from employment), shall not participate, directly or indirectly, in the same or substantially similar capacity as you provided services to the Company during the last two years of your employment, in any

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business which is competitive with the Company's Field of Interest (as described below) unless you have received the prior written consent of the Company. You acknowledge and agree that a business will be deemed competitive with the Company if it (1) conducts research, (2) is developing or intends to develop any product candidate, (3) performs any of the services or manufactures or sells any of the products provided or offered by the Company or (4) performs any other services and/or engages in the production, manufacture, distribution or sale of any product that may be purchased in lieu of purchasing services performed or products produced, manufactured, distributed or sold by the Company, in each case within the Field of Interest at any time during the period of your employment with the Company (a "Competitor"). As used herein, the term "**Field of Interest**" means [\*\*\*]. You hereby acknowledge and agree that the Field of Interest shall be assessed for purposes of this Agreement as of the date on which your employment with the Company terminates.

(iii) You further acknowledge and agree that, during the course of your employment with the Company, the Company will furnish, disclose or make available to you confidential and proprietary information related to the Company's business and that the Company may provide you with unique and specialized training. You also acknowledge that such confidential information and such training have been developed and will be developed by the Company through the expenditure by the Company of substantial time, effort and money and that all such confidential information and training could be used by you to compete with the Company.

(iv) You have been advised to consult with an attorney of your choice in connection with this Agreement and have been provided the time necessary for such consultation as is reasonable under the circumstances and, if applicable to your work location, in compliance with any state-specific review periods (10 business days for Massachusetts).

(b) Non-Solicitation. During the Term and for a period of twelve (12) months following termination of your employment, whether such termination is voluntary or involuntary, you shall not, without the prior written consent of the Company:

(i) either individually or on behalf of or through any third party, solicit, divert or appropriate or attempt to solicit, divert or appropriate, any vendor, business relationship or customer of the Company during the Term, with whom you had business-related communications on behalf of the Company or on whose project you provided services during the Term, with the effect or intention of reducing or limiting the amount of business that such vendor, business counterparty or customer does with the Company and for the benefit of a Competitor; or

(ii) either individually or on behalf of or through any third party, directly or indirectly, solicit, entice or persuade or attempt to solicit, entice or persuade any employees of or consultants to the Company (other than your spouse), who have been employees or consultants of the Company at any time during the Term, or who are employees or consultants of the Company at the time of the solicitation, with whom you had business-related communications on behalf of the Company or with whom you worked during the Term, to leave the services of the Company to provide services to any Competitor.

(c) Reasonableness of Restrictions. You further acknowledge and agree that (i) the activities which are prohibited by this Section 1 are narrow and reasonable in relation to the skills

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which represent your principal salable asset both to the Company and to your other prospective employers, and (ii) given the global nature of the Company's business, including its need to market its services and sell its products in a large geographic area in order to have a sufficient customer base to make the Company's business profitable, the geographic, length of time and substantive scope of the provisions of this Section 1 are reasonable, legitimate and fair to you.

(d) Survival of Acknowledgments and Agreements. Except as expressly set forth hereunder, your acknowledgments and agreements set forth in this Section 1 shall survive the termination of your employment with the Company for the periods set forth above.

2. Protected Information.

(a) Confidentiality Obligations. You shall at all times, both during the Term and thereafter, maintain in confidence and shall not, without the prior written consent of the Company, use, except in the course of performance of your duties for the Company, disclose or give to others any Confidential Information of the Company. As used herein, the term "**Confidential Information**" shall mean any information which is disclosed to or developed by you during the course of performing services for, or receiving training from, the Company, and is not generally available to the public, including but not limited to confidential information concerning business plans, customers, future customers, suppliers, licensors, licensees, partners, investors, affiliates or others, training methods and materials, financial information, sales prospects, client lists, Company Inventions (as defined in Section 3), or any other scientific, technical, trade or business secret or confidential or proprietary information of the Company or of any third party provided to you during the Term. In the event anyone not employed or otherwise engaged by the Company seeks information from you in regard to any such Confidential Information or any other secret or confidential work of the Company, or concerning any fact or circumstance relating thereto, you will promptly notify the chief executive officer of the Company.

(b) Limited Exceptions. The restrictions in Section 2(a) hereof shall not apply to information that, as can be established by competent written records: (i) was publicly known at the time of the Company's communication thereof to you; (ii) becomes publicly known through no fault of yours subsequent to the time of the Company's communication thereof to you; (iii) was in your possession free of any obligation of confidence at the time of the Company's communication thereof to you; or (iv) is developed by you independently of and without reference to or use of any of the Company's Confidential Information. In the event that you are required by law, regulation or court order to disclose any of the Company's Confidential Information, you shall (i) first notify the Company of such disclosure requirement, unless such advance notice requirement is prohibited by law and (ii) furnish only that portion of the Confidential Information that is legally required and will exercise all reasonable efforts to obtain reliable assurances that confidential treatment will be accorded the Confidential Information.

(c) Protected Rights. Nothing in this Agreement prohibits or restricts you or your attorney from initiating communications directly with, responding to an inquiry from, or providing testimony before the Securities and Exchange Commission, any regulatory or self-regulatory organization, or any other governmental authority. Nothing in this Agreement in any way prohibits or is intended to restrict or impede you from discussing the terms and conditions of your employment with coworkers or union representatives or exercising any other protected rights under Section 7 of the National Labor Relations Act.

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(d) **Survival of Acknowledgments and Agreements.** Except as expressly set forth hereunder, your acknowledgments and agreements set forth in this **Section 2** shall survive the termination of your employment with the Company.

3. **Ownership of Intellectual Property Ideas.**

(a) **Property of the Company.** As used in this Agreement, the term "**Inventions**" shall mean all ideas, discoveries, creations, manuscripts and properties, innovations, improvements, know-how, inventions, designs, developments, apparatus, techniques, methods, biological processes, cell lines, laboratory notebooks and formulae, whether patentable, copyrightable or not, including all rights to obtain, register, perfect and enforce any of the foregoing. You hereby agree that any Inventions which you may conceive, reduce to practice or develop during the Term, whether in connection with the business activities of the Company or otherwise, alone or in conjunction with any other party, whether during or out of regular business hours, and whether at the request or upon the suggestion of the Company, or otherwise (collectively, the "**Company Inventions**"), shall be the sole and exclusive property of the Company. You hereby assign to the Company all of your right, title and interest in and to all such Company Inventions and hereby agree that you shall not publish any of the Company Inventions without the prior written consent of the Company.

(b) **Cooperation.** During the Term, you agree that, without further compensation, you will disclose promptly to the Company in writing, all Company Inventions you conceive, reduce to practice or develop during the Term (or, if based on or related to any Confidential Information of the Company obtained by you during the Term, within one (1) year after the termination of your employment). You further agree that you will fully cooperate with the Company, its attorneys and agents in the preparation and filing of all papers and other documents as may be reasonably required to perfect the Company's rights in and to any of such Company Inventions, including, but not limited to, joining in any proceeding to obtain patents, copyrights, trademarks or other legal rights of the United States and of any and all other countries on such Company Inventions; provided, that, the Company will bear the expense of such proceedings (including all of your reasonable expenses). You further agree that any patent or other legal right covering any Company Invention so issued to you, personally, shall be assigned by you to the Company without charge by you. You further acknowledge that all original works of authorship made by you, whether alone or jointly with others within the scope of your employment and which are protectable by copyright are "works made for hire" within the meaning of the United States Copyright Act, 17 U.S.C. § 101, as amended, the copyright of which shall be owned solely, completely and exclusively by the Company. If any Company Invention is considered to be work not included in the categories of work covered by the United States Copyright Act, 17 U.S.C. § 101, as amended, such work shall be owned solely by, or hereby assigned or transferred completely and exclusively to, the Company. If the Company is unable because of your mental or physical incapacity or for any other reason, after reasonable effort, to secure your signature on any document or documents needed to obtain or enforce any patent, copyright, trademark or any other rights covering Inventions or original works of authorship assigned by you to the Company as required above, you hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as your agent and attorney-in-fact, to act for and in your behalf and stead to execute and file any application or assignment and to do all other lawfully permitted acts to further the prosecution and issuance to the Company of patents, copyright registrations, trademark registrations or similar protections covering the Inventions with the same legal force and effect as if executed by you.

(c) Under the Economic Espionage Act of 1996, as amended by the Defend Trade Secrets Act of 2016, notwithstanding any other provision of this Agreement: (i) you will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made: (1) in confidence to a federal, state, or local government official, either directly or

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indirectly, or to an attorney and solely for the purpose of reporting or investigating a suspected violation of law; or (2) in a complaint or other document that is filed under seal in a lawsuit or other proceeding; or (ii) if you file a lawsuit for retaliation for reporting a suspected violation of law, you may disclose trade secrets to your attorney and use the trade secret information in the court proceeding if you (1) file any document containing the trade secret under seal; and (2) do not disclose the trade secret, except pursuant to court order.

4. Provisions Necessary and Reasonable/Breach/Attorneys' Fees. You agree that (i) the provisions of Sections 1, 2 and 3 of this Agreement are necessary and reasonable to protect the Company's Confidential Information, Company Inventions, and goodwill and (ii) in the event of any breach of any of the covenants set forth herein, the Company would suffer substantial irreparable harm and would not have an adequate remedy at law for such breach. In recognition of the foregoing, you agree that in the event of a breach or threatened breach of any of these covenants, in addition to such other remedies as the Company may have at law, without posting any bond or security, the Company shall be entitled to seek and obtain equitable relief, in the form of specific performance, and/or temporary, preliminary or permanent injunctive relief, or any other equitable remedy which then may be available. The seeking of such injunction or order shall not affect the Company's right to seek and obtain damages or other equitable relief on account of any such actual or threatened breach. In the event the Company takes any court action with respect to your breach or threatened breach of this Agreement, and prevails in such action, you shall be obligated to reimburse the Company for its reasonable attorneys' fees and costs incurred in such action.

5. Disclosure to Future Employers. You agree that you will provide, and that the Company may similarly provide in its discretion, a copy of the covenants contained in Sections 1, 2 and 3 of this Agreement to any business or enterprise which you may directly, or indirectly, own, manage, operate, finance, join, control or in which you participate in the ownership, management, operation, financing, or control, or with which you may be connected as an officer, director, employee, partner, principal, agent, representative, consultant or otherwise.

6. Representations Regarding Prior Work and Legal Obligations.

(a) You represent that you have no agreement or other legal obligation with any prior employer or any other person or entity that restricts your ability to engage in employment discussions with, employment with, or to perform any function for, the Company.

(b) You represent that you have been advised by the Company that at no time should you divulge to or use for the benefit of the Company, any trade secret or confidential or proprietary information of any previous employer. You acknowledge that you have not divulged or used any such information for the benefit of the Company.

(c) You acknowledge that the Company is basing important business decisions on these representations, and affirm that all of the statements included herein are true.

7. Records. Upon termination of your employment relationship with the Company, you shall deliver to the Company any property of the Company which may be in your possession including products, materials, memoranda, notes, records, reports, or other documents or photocopies of the same.

8. No Conflicting Agreements. You hereby represent and warrant that you have no commitments or obligations inconsistent with this Agreement and you hereby agree to indemnify and hold the

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Company harmless against loss, damage, liability or expense arising from any claim based upon circumstances alleged to be inconsistent with such representation and warranty.

9. General.

(a) Notices. All notices, requests, consents and other communications hereunder shall be in writing, shall be addressed to the receiving party's address set forth below or to such other address as a party may designate by notice hereunder, and shall be either (i) delivered by hand, (ii) made by telex, telecopy or facsimile transmission with confirmed receipt thereof (and with a copy of such telex, telecopy or facsimile, together with a copy of the confirmation sent to the recipient by regular U.S. mail on the next business day), (iii) sent by overnight courier, or (iv) sent by registered mail, return receipt requested, postage prepaid.

If to the Company: Madrigal Pharmaceuticals  
Four Tower Bridge  
200 Barr Harbor Drive, Suite 200 West Conshohocken, PA 19428

If to you: To the address set forth on the signature page of this Agreement.

All notices, requests, consents and other communications hereunder shall be deemed to have been given either (i) if by hand, at the time of the delivery thereof to the receiving party at the address of such party set forth above, (ii) if made by telex, telecopy or facsimile transmission, at the time that receipt thereof has been acknowledged by electronic confirmation or otherwise, (iii) if sent by overnight courier, on the next business day following the day such notice is delivered to the courier service, or (iv) if sent by registered mail, on the fifth business day following the day such mailing is made.

(b) Entire Agreement. This Agreement embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. No statement, representation, warranty, covenant or agreement of any kind not expressly set forth in this Agreement shall affect, or be used to interpret, change or restrict, the express terms and provisions of this Agreement.

(c) Modifications and Amendments. The terms and provisions of this Agreement may be modified or amended only by written agreement executed by the parties hereto.

(d) Waivers and Consents. The terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

(e) Assignment. The Company may assign its rights and obligations hereunder to any person or entity that succeeds to all or substantially all of the Company's business or that aspect of the Company's business in which you are principally involved. Your rights and obligations under this Agreement may not be assigned by you without the prior written consent of the Company.

(f) Benefit. All statements, representations, warranties, covenants and agreements in this Agreement shall be binding on the parties hereto and shall inure to the benefit of the respective

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successors and permitted assigns of each party hereto. Nothing in this Agreement shall be construed to create any rights or obligations except among the parties hereto, and no person or entity shall be regarded as a third-party beneficiary of this Agreement.

(g) Governing Law. This Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the laws of the Commonwealth of Pennsylvania, without giving effect to the conflict of laws principles thereof.

(h) Jurisdiction. Any legal action or proceeding with respect to this Agreement may be brought in the courts of the Commonwealth of Pennsylvania or of the United States of America. By execution and delivery of this Agreement, each of the parties hereto accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts.

(i) Severability. The parties intend this Agreement to be enforced as written. However,

(i) if any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a duly authorized court having jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law and (ii) if any provision, or part thereof, is held to be unenforceable because of the duration of such provision or the geographic area covered thereby, the Company and you agree that the court making such determination shall have the power to reduce the duration and/or geographic area of such provision, and/or to delete specific words and phrases ("blue-penciling"), and in its reduced or blue-penciled form such provision shall then be enforceable and shall be enforced.

(j) Headings and Captions. The headings and captions of the various subdivisions of this Agreement are for convenience of reference only and shall in no way modify, or affect the meaning or construction of any of the terms or provisions hereof.

(k) No Waiver of Rights, Powers and Remedies. No failure or delay by a party hereto in exercising any right, power or remedy under this Agreement, and no course of dealing between the parties hereto, shall operate as a waiver of any such right, power or remedy of the party. No single or partial exercise of any right, power or remedy under this Agreement by a party hereto, nor any abandonment or discontinuance of steps to enforce any such right, power or remedy, shall preclude such party from any other or further exercise thereof or the exercise of any other right, power or remedy hereunder. The election of any remedy by a party hereto shall not constitute a waiver of the right of such party to pursue other available remedies. No notice to or demand on a party not expressly required under this Agreement shall entitle the party receiving such notice or demand to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the party giving such notice or demand to any other or further action in any circumstances without such notice or demand.

(l) Counterparts. This Agreement may be executed in one or more counterparts, and by different parties hereto on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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If the foregoing accurately sets forth our agreement, please so indicate by signing and returning to us the enclosed copy of this letter.

Very truly yours,  
MADRIGAL PHARMACEUTICALS, INC.

By: /s/ Bill Sibold  
Bill Sibold  
*Chief Executive Officer*

Agreed to and accepted:

/s/ Shannon Kelley  
Name: Shannon Kelley

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**EXHIBIT B**  
**SEVERANCE AND CHANGE OF CONTROL AGREEMENT**

This Severance and Change of Control Agreement (the "**Agreement**") is entered into as of January 3, 2024 by and between Madrigal Pharmaceuticals Inc., a Delaware corporation (the "**Company**"), and Shannon Kelley ("**Executive**").

**WHEREAS**, Executive is employed by the Company, and because of such employment, possesses detailed knowledge of the Company and its business and operations;

**WHEREAS**, Executive's continued service to the Company is very important to the future success of the Company;

**WHEREAS**, the Company desires to enter into this Agreement to provide Executive with certain financial protection in the event that Executive's employment terminates under certain circumstances, and thereby to provide Executive with incentives to remain with the Company; and

**WHEREAS**, the Board of Directors of the Company (the **Board**) acting through the Compensation Committee has determined that it is in the best interests of the Company to enter into this Agreement.

**NOW THEREFORE** for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Executive agree as follows:

**1. Definitions.**

(a) **Cause.** As used herein, "**Cause**" shall include (and is not limited to): (i) dishonesty with respect to the Company or any affiliate, parent or subsidiary of the Company; (ii) insubordination; (iii) substantial malfeasance or nonfeasance of duty; (iv) unauthorized disclosure of confidential information; (v) Executive's breach of any material provision of any employment, consulting, advisory, non-disclosure, invention, assignment, non-competition, or similar agreement between Executive and the Company; or (vi) conduct substantially prejudicial to the business of the Company or any affiliate, parent or subsidiary of the Company. The Board shall have sole discretion to determine the existence of "Cause" and its determination will be conclusive on Executive and the Company; provided that the Board may delegate its power to act under this paragraph (a) to a committee of the Board in which case the determination of such committee shall be conclusive. "Cause" is not limited to events which have occurred prior to the termination of Executive's service, nor is it necessary that the Board's finding of "Cause" occur prior to such termination. If the Board determines, subsequent to Executive's termination of service, that either prior or subsequent to Executive's termination Executive engaged in conduct which would constitute "Cause," then Executive shall have no right to any benefit or compensation under this Agreement.

(b) **Change of Control.** As used herein, a "**Change of Control**" shall mean the occurrence of any of the following events:

(i) **Ownership.** Any "Person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becomes the "Beneficial Owner" (as

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defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities (excluding for this purpose any such voting securities held by the Company, or any affiliate, parent or subsidiary of the Company, or by any employee benefit plan of the Company) pursuant to a transaction or a series of related transactions which the Board does not approve; or

(ii) **Merger/Sale of Assets.** (A) A merger or consolidation of the Company, whether or not approved by the Board, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or the parent of such corporation) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or parent of such corporation, as the case may be outstanding immediately after such merger or consolidation; or (B) the stockholders of the Company approve an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(iii) **Change in Board Composition.** A change in the composition of the Board as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of the date of this Agreement, or (B) are elected, or nominated for election to the Board with the affirmative votes of at least a majority of the Incumbent Directors, or by a committee of the Board made up of at least a majority of the Incumbent Directors, at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company).

(c) **Good Reason.** As used herein, a "Good Reason" shall mean: (i) Executive, as a condition of remaining an employee of the Company, is required to change the principal location where Executive renders services to the Company to a location more than fifty (50) miles from Executive's then-current location of employment; (ii) there occurs a material adverse change in Executive's duties, authority or responsibilities which causes Executive's position with the Company to carry significantly less responsibility or authority than Executive's position on the date hereof, or (iii) there occurs a material reduction in Executive's base salary from Executive's base salary received on the date hereof, provided that any notice of termination by Executive for Good Reason shall be given by Executive within fifteen (15) days of Executive's becoming aware of the occurrence of the facts giving rise to such Good Reason. For purposes of this Agreement, "Good Reason" shall be interpreted in a manner, and limited to the extent necessary, so that it will not cause adverse tax consequences for either party with respect to Section 409A of the Internal Revenue Code of 1986, as amended ("Code Section 409A"), and any successor statute, regulation and guidance thereto.

(d) **Base Salary.** As used herein, "Base Salary" shall mean Executive's annual base salary, excluding reimbursements, bonuses, benefits, and amounts attributable to stock options and other non-cash compensation.

**2. Severance for Termination by the Company Other than For Cause or by Executive for Good Reason.** In the event that (i) Executive's employment is terminated by action of the Company other than for Cause, or (ii) Executive terminates Executive's employment for Good

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Reason, then Executive shall receive the following (A) in part consideration for undertaking the obligations set forth in the Confidentiality and Inventions and Restrictive Covenants Agreement signed and delivered by Executive as of the date thereof and (B) subject to Executive's execution of a release of claims as described in Section 7:

(a) **Severance Payments**. Continuation of payments in an amount equal to Executive's then-current Base Salary for a twelve (12) month period less all customary and required taxes and employment-related deductions, in accordance with the Company's normal payroll practices (provided such payments will be made at least monthly).

(b) **Separation Bonus**. Payment of a separation bonus in an amount equal to the target annual bonus to which Executive may have been entitled for the year in which Executive is terminated, less all customary and required taxes and employment-related deductions, paid in twelve (12) equal monthly installments less all customary and required taxes and employment-related deductions, in accordance with the Company's normal payroll practices (provided such payments will be made at least monthly).

(c) **Equity Acceleration**. Acceleration of vesting of any and all outstanding equity awards that would have vested during the period commencing on Executive's date of termination through and including the date that is twelve (12) months following Executive's date of termination.

(d) **COBRA Payments**. Upon completion of the appropriate COBRA ("COBRA" is the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended) forms, and subject to all the requirements of COBRA, the Company shall continue Executive's participation in the Company's health and dental insurance plans at the Company's cost (except for Executive's applicable contribution portion and co-pay, if any, which shall be deducted from Executive's severance compensation) for the twelve (12) months following Executive's date of termination, to the same extent that such insurance is provided to similarly situated Company executives, provided that this benefit will cease and the Company will be under no obligation to provide it if Executive has become eligible for coverage under another employer's group coverage, and Executive hereby agrees to notify the Company promptly and in writing should that occur.

(e) **No Duplication**. In the event that Executive is eligible for the severance payments and benefits under Section 3 below, Executive shall not be eligible for and shall not receive any of the severance payments and benefits as provided in this Section 2.

**3. Change of Control Severance**. In the event that a Change of Control occurs and within a period of one (1) year following the Change of Control either: (i) Executive's employment is terminated by action of the Company other than for Cause, or (ii) Executive terminates Executive's employment for Good Reason, then Executive shall receive the following (A) in part consideration for undertaking the obligations set forth in the Confidentiality and Inventions and Restrictive Covenants Agreement signed and delivered by Executive as of the date thereof and (B) subject to Executive's execution of a release of claims as described in Section 7:

(a) **Lump Sum Severance Payment**. Within thirty (30) days following Executive's termination, payment of an amount equal to twelve (12) months of Executive's then-current Base Salary less all customary and required taxes and employment-related deductions.

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(b) **Separation Bonus.** Within thirty (30) days following Executive's termination, payment of a separation bonus in an amount equal to the target annual bonus to which Executive may have been entitled for the year in which Executive is terminated, less all customary and required taxes and employment-related deductions.

(c) **Equity Acceleration.** Full acceleration as of the date of termination of vesting of any and all equity awards outstanding immediately prior to termination.

(d) **COBRA Payments.** Upon completion of the appropriate COBRA forms, and subject to all the requirements of COBRA, the Company shall continue Executive's participation in the Company's health and dental insurance plans at the Company's cost (except for Executive's applicable contribution portion and co-pay, if any, which shall be deducted from Executive's severance compensation) for the twelve (12) months following Executive's date of termination, to the same extent that such insurance is provided to similarly situated Company executives. provided that this benefit will cease and the Company will be under no obligation to provide it if Executive has become eligible for coverage under another employer's group coverage, and Executive hereby agrees to notify the Company promptly and in writing should that occur.

(e) **No Duplication.** In the event that Executive is eligible for the severance payments and benefits under Section 2 above, Executive shall not be eligible for and shall not receive any of the severance payments and benefits as provided in this Section 3.

**4. No Severance.** In the event that Executive's employment is terminated for any reason other than those outlined in Sections 2 or 3, then Executive shall have no right to any of the severance payments and benefits provided under this Agreement.

**5. Distribution Limitation.** If any payment or benefit Executive would receive under this Agreement, when combined with any other payment or benefit Executive receives pursuant to a Change of Control (for purposes of this section, a "Payment") would: (i) constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"); and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then such Payment shall be either: (x) the full amount of such Payment; or (y) such lesser amount (with cash payments being reduced before stock option compensation) as would result in no portion of the Payment being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local employment taxes, income taxes, and the Excise Tax, results in Executive's receipt, on an after-tax basis, of the greater amount of the Payment notwithstanding that all or some portion of the Payment may be subject to the Excise Tax.

**6. Timing Of Payments.** Notwithstanding any other provision with respect to the timing of payments under Sections 2 or 3, if at the time of Executive's termination, Executive is deemed to be a "specified employee" of the Company (within the meaning of Code Section 409A(a)(2)(B)(i) and any successor statute, regulation and guidance thereto ("Code Section 409A")), then limited only to the extent necessary to comply with the requirements of Code Section 409A any payments to which Executive may become entitled under Sections 2 or 3, which are subject to Code Section 409A (and not otherwise exempt from its application) will be withheld until the first (1st) business day of the seventh (7th) month following the termination of

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Executive's employment at which time Executive shall be paid an aggregate amount equal to the accumulated, but unpaid, payments otherwise due to Executive under the terms of Sections 2 or 3.

**7. Release of Claims** The Company shall not be obligated to pay Executive any of the compensation set forth in Sections 2 and 3, unless and until Executive has executed, and not revoked, a timely full and general release of all claims against the Company and any affiliate, parent or subsidiary, and its and their officers, directors, employees, and agents, in a form satisfactory to the Company. Any payments due pursuant to Sections 2 and 3 of this Agreement shall commence sixty (60) days after the Executive's last day of employment, at which time Executive shall have no right to revoke any previously executed general release of claims.

**8. No Impact on Employment Status** This Agreement is not intended to confer, and shall not be interpreted as conferring, any additional employment rights on Executive, and has no impact on either party's right to terminate Executive's employment under contract or applicable law.

**9. Enforceability; Reduction** If any provision of this Agreement shall be deemed invalid or unenforceable as written, this Agreement shall be construed, to the greatest extent possible, or modified, to the extent allowable by law, in a manner which shall render it valid and enforceable and any limitation on the scope or duration of any provision necessary to make it valid and enforceable shall be deemed to be a part thereof. No invalidity or unenforceability of any provision contained herein shall affect any other portion of this Agreement.

**10. Notices**

(a) All notices, requests, consents and other communications hereunder shall be in writing, shall be addressed to the receiving party's address set forth below or to such other address as a party may designate by notice hereunder, and shall be either (i) delivered by hand, (ii) made by telex, telecopy, facsimile, electronic mail, or other electronic transmission, (iii) sent by overnight courier, or (iv) sent by registered or certified mail, return receipt requested, postage prepaid.

*If to the Company:*

Chief Executive Officer Madrigal Pharmaceuticals, Inc. 200 Barr Harbor Drive, Suite 200  
West Conshohocken, PA 19428

*If to Executive:*

To Executive's last known address in the Company's personnel records.

(b) All notices, requests, consents and other communications hereunder shall be deemed to have been given either (i) if by hand, at the time of the delivery thereof to the receiving party at the address of such party set forth above, (ii) if made by telex, telecopy, facsimile, electronic mail, or other electronic transmission, at the time that receipt thereof has been acknowledged by electronic confirmation or otherwise, (iii) if sent by overnight courier, on the next business day

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following the day such notice is delivered to the courier service, or (iv) if sent by registered or certified mail, on the fifth (5th) business day following the day such mailing is made.

**11. Entire Agreement/No Duplication of Compensation or Benefits** This Agreement embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof including, but not limited to, any offer letter or employment agreement previously entered into between Executive and the Company. No statement, representation, warranty, covenant or agreement of any kind not expressly set forth in this Agreement shall affect, or be used to interpret, change or restrict, the express terms and provisions of this Agreement. The terms of Sections 2 and 3 above shall replace any agreement policy or practice which otherwise would obligate the Company to provide any severance compensation and/or benefits to Executive, *provided* that this provision shall not be construed to otherwise limit Executive's rights to payments or benefits provided under any pension plan (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended), deferred compensation, stock, stock option or similar plan sponsored by the Company.

**12. Modifications and Amendments**. The terms and provisions of this Agreement may be modified or amended only by written agreement executed by all parties hereto. Any such amendment shall comply with the requirements of Code Section 409A, if applicable.

**13. Waivers and Consents**. The terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

**14. Assignment**. The rights and obligations under this Agreement may be assigned by the Company.

**15. Benefit**. All statements, representations, warranties, covenants and agreements in this Agreement shall be binding on the parties hereto and shall inure to the benefit of the respective successors and permitted assigns of each party hereto. Nothing in this Agreement shall be construed to create any rights or obligations except among the parties hereto, and no person or entity shall be regarded as a third-party beneficiary of this Agreement.

**16. Arbitration**. Any controversy, dispute or claim arising out of or in connection with this Agreement will be settled by final and binding arbitration to be conducted in Philadelphia, Pennsylvania pursuant to the national rules for the resolution of employment disputes of the American Arbitration Association then in effect. The decision or award in any such arbitration will be final and binding upon the parties, and judgment upon such decision or award may be entered in any court of competent jurisdiction, or application may be made to any such court for judicial acceptance of such decision or award and an order of enforcement. In the event that any procedural matter is not covered by the aforesaid rules, the procedural law of the Commonwealth of Pennsylvania will govern. Any disagreement as to whether a particular dispute is arbitral under this Agreement shall itself be subject to arbitration in accordance with the procedures set forth herein. Notwithstanding the foregoing, any right or obligation arising out of or concerning any separate contract or agreement between the parties (including but not limited to any employee,

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non-com petition, non-solicitation, non-disclosure and invention agreement) shall be decided in accordance with the dispute resolution mechanism provided for by such contract or agreement.

**17. Governing Law / Jurisdiction / Service of Process** This Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the law of the Commonwealth of Pennsylvania, without giving effect to the conflict of law principles thereof. Any legal action or proceeding with respect to this Agreement that is not subject to arbitration pursuant to Section 16 will be brought in the courts of the Commonwealth of Pennsylvania, County of Montgomery, or of the United States of America for the Eastern District of Pennsylvania, sitting in Philadelphia. By execution and delivery of this Agreement, each of the parties hereto accepts for itself and in respect of its property, generally and unconditionally, the exclusive jurisdiction of the aforesaid courts. Each of the parties hereto irrevocably consents to the service of process of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by certified mail, postage prepaid, to the party at its address set forth in Section 10.

**18. Counterparts.** This Agreement may be executed in multiple counterparts, and by different parties hereto on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

MADRIGAL PHARMACEUTICALS, INC.

By: /s/ Bill Sibold

Name: Bill Sibold

Title: *Chief Executive Officer*

EXECUTIVE

By: /s/ Shannon Kelley

Name: Shannon Kelley

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Four Tower Bridge  
200 Barr Harbor Drive, Suite 200 West Conshohocken, PA 19428

August 2, 2024 Shannon Kelley

[\*personally identifiable information\*]

Dear Shannon,

I am delighted to confirm that you have been promoted to the position of Chief Legal Counsel at Madrigal Pharmaceuticals, Inc. ("Madrigal" or "Company"), effective August 2, 2024. This promotion is a recognition of your outstanding contributions, dedication, and leadership at Madrigal.

Over the last several months, you have consistently demonstrated exceptional legal expertise, strategic thinking, and a deep commitment to upholding the highest standards of integrity and compliance. Your ability to navigate complex legal challenges and provide sound counsel has been invaluable to our organization.

In addition to your new role as Chief Legal Counsel, you will retain the role as Chief Compliance Officer. It is anticipated that you will be responsible for compliance matters as well as overseeing all legal matters, including corporate governance, regulatory compliance, intellectual property, and risk management. We expect you to play a key role in shaping our legal strategy to support the Company's growth and innovation goals.

Effective **August 5, 2024**, your compensation shall be:

**Annual Base Salary:** Paid semi-monthly at the rate of \$520,000 per year, subject to later adjustment at the discretion of the Company and less applicable withholdings (the actual annual base salary at any time is the "Base Salary").

**Bonus:** Eligible for an annual performance bonus, targeted at 45% of the Base Salary, which shall apply for the entirety of the 2024 calendar year (the actual amount of your performance bonus, if any, to be determined at the discretion of the Compensation Committee of the Company's Board of Directors).

**Equity:** Subject to the approval of the Compensation Committee of the Company's Board of Directors, you will be granted a promotional equity grant with an aggregate value of \$2.55 million (50% in the form of RSUs subject to time-based vesting and 50% in the form of options to purchase shares of the Company's common stock subject to time-based vesting). The number of shares subject to your promotion grant will be determined in accordance with the Company's grant practices for similarly situated employees and such grant will be subject to standard vesting and the other terms and conditions of the applicable Company equity incentive plan and associated award agreements.

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Except as modified by this letter, the other terms and conditions of your employment shall remain in full force and effect following your promotion including, without limitation, your restrictive covenant agreement and your severance and change in control agreement, which were attached as Exhibits A and B to your offer letter.

I look forward to your continued success and your contributions in your new role. Congratulations, Shannon!

Warm regards,

/s/ Bill Sibold  
Bill Sibold  
Chief Executive Officer  
Madrigal Pharmaceuticals

Agreed to and accepted:

/s/ Shannon Kelley      Date: August 2, 2024  
Shannon Kelley

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*

**SECOND AMENDMENT  
TO  
LOAN AND SECURITY AGREEMENT**

This **SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT** (this “**Amendment**”) is dated as of August 22, 2024 and is entered into by and among MADRIGAL PHARMACEUTICALS, INC., a Delaware corporation (“**Madrigal**”), CANTICLE PHARMACEUTICALS, INC., a Delaware corporation (“**Canticle**”) (individually or collectively, as the context may require, “**Borrower**”), the several banks and other financial institutions or entities from time to time parties to the Loan Agreement (collectively, referred to as “**Lender**”) and HERCULES CAPITAL, INC., a Maryland corporation, in its capacity as administrative agent and collateral agent for itself and Lender (in such capacity, “**Agent**”). *Capitalized terms used herein without definition shall have the same meanings given them in the Loan Agreement (as defined below).*

**RECITALS**

**A.** Borrower, Agent and Lender have entered into that certain Loan and Security Agreement dated as of May 9, 2022, among Borrower, Agent and Lender, as amended by that certain First Amendment to Loan and Security Agreement dated as of February 3, 2023 (and as further amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “**Loan Agreement**”), pursuant to which Lender has agreed to extend and make available to Borrower certain advances of money.

**B.** In accordance with Section 11.3 of the Loan Agreement, Borrower has requested that Agent and Lender agree to amend certain provisions of the Loan Agreement.

**C.** Agent and Lender have agreed to so amend the Loan Agreement upon the terms and conditions more fully set forth herein.

**AGREEMENT**

NOW, THEREFORE, in consideration of the foregoing Recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

**1. AMENDMENTS.**

**1.1** The Loan Agreement (other than the exhibits and schedules thereto) is hereby amended to reflect the changes which are attached as Annex A hereto, such that on the Second Amendment Closing Date the terms set forth in **Annex A** hereto which appear in bold and double underlined text (**inserted text**) shall be added to the Loan Agreement and the terms appearing as text which is stricken (**deleted text**) shall be deleted from the Loan Agreement.

**1.2** **Schedule 1.1 (Commitments)** to the Loan Agreement is hereby amended and restated in its entirety as set forth on the annex attached as **Annex B** hereto.

“hereof,” “herein,” “hereunder,” or words of like import, shall mean and be a reference to the Loan Agreement as amended by this Amendment.

**2. BORROWER’S REPRESENTATIONS AND WARRANTIES.** Borrower represents and warrants that:

**2.1** Immediately upon giving effect to this Amendment (i) the representations and warranties contained in the Loan Documents are true and correct in all material respects except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct in all material respects as of such date and (ii) no default or Event of Default has occurred and is continuing with respect to which Borrower has not been notified in writing by Agent or Lender.

**2.2** Borrower has the corporate power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment.

**2.3** The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized by all necessary corporate action on the part of Borrower.

**2.4** This Amendment has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors’ rights.

Borrower understands and acknowledges that each of Agent and Lender is entering into this Amendment in reliance upon, and in partial consideration for, the above representations and warranties, and agrees that such reliance is reasonable and appropriate.

**3. LIMITATION.** The amendments set forth in this Amendment shall be limited precisely as written and shall not be deemed (a) to be a waiver or modification of any other term or condition of the Loan Agreement or of any other instrument or agreement referred to therein or to prejudice any right or remedy which Agent and/or Lender may now have or may have in the future under or in connection with the Loan Agreement (as amended hereby) or any instrument or agreement referred to therein; or (b) to be a consent to any future amendment or modification or waiver to any instrument or agreement the execution and delivery of which is consented to hereby. Except as expressly amended hereby, the Loan Agreement shall continue in full force and effect.

**4. EFFECTIVENESS.** This Amendment shall become effective upon the satisfaction of all the following conditions precedent (such date of satisfaction of all such conditions precedent, the “**Second Amendment Closing Date**”):

**4.1 Amendment.** Borrower, Agent and Lender shall have duly executed and delivered this Amendment to Lender.

**COUNTERPARTS.** This Amendment may be signed in any number of counterparts, and by different parties hereto in separate counterparts, with the same effect as if the signatures to each such counterpart were upon a single instrument. All counterparts shall be deemed an original of this Amendment. This Amendment may be executed by facsimile, portable document format (.pdf) or similar technology signature, and such signature shall constitute an original for all purposes.

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**5. INCORPORATION BY REFERENCE.** The provisions of Section 11 of the Loan Agreement shall be deemed incorporated herein by reference, *mutatis mutandis*.

**6. REAFFIRMATION.** By executing and delivering a counterpart hereof, (i) Borrower hereby agrees that all Advances incurred by Borrower shall be secured by the Collateral pursuant to the applicable Loan Documents in accordance with the terms and provisions thereof and (ii) Borrower hereby (A) agrees that, notwithstanding the effectiveness of this Amendment, after giving effect to this Amendment, the Loan Documents continue to be in full force and effect, (B) agrees that all of the Liens and security interests created and arising under the Loan Documents remain in full force and effect on a continuous basis, and the perfected status and priority of each such Lien and security interest continues in full force and effect on a continuous basis, unimpaired, uninterrupted and undischarged, as collateral security for its obligations, liabilities and indebtedness under the Loan Agreement to the extent provided in, and subject to the limitations and qualifications set forth in, such Loan Documents (as amended by this Amendment) and (C) affirms and confirms all of its obligations, liabilities and indebtedness under the Loan Agreement and each other Loan Document, in each case after giving effect to this Amendment, including the pledge of and/or grant of a security interest in its assets as Collateral pursuant to the Loan Documents to secure such Secured Obligations, all as provided in the Loan Documents, and acknowledges and agrees that such obligations, liabilities, guarantee, pledge and grant continue in full force and effect in respect of, and to secure, such Secured Obligations under the Loan Agreement and the other Loan Documents, in each case, to the extent provided in, and subject to the limitations and qualifications set forth in, such Loan Documents (as amended by this Amendment).

*[Signature Page Follows]*

executed as of the date first written above.

**BORROWERS:**

MADRIGAL  
PHARMACEUTICALS, INC.

Signature:/s/ Mardi Dier

Print Name: Mardi Dier  
Title: Chief Financial Officer

CANTICLE PHARMACEUTICALS,  
INC.

Signature:/s/ Mardi Dier  
Print Name: Mardi Dier  
Title: Director

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[Signature Page – Second Amendment to LSA]

Accepted in Palo Alto, California:

**AGENT:**

HERCULES CAPITAL, INC.

Signature: /s/ Seth Meyer  
Print Name: Seth Meyer  
Title: Chief Financial Officer

**LENDERS:**

HERCULES CAPITAL, INC.

Signature: /s/ Seth Meyer  
Print Name: Seth Meyer  
Title: Chief Financial Officer

HERCULES PRIVATE CREDIT FUND 1 L.P.

By: Hercules Adviser LLC, its Investment  
Adviser

Signature: /s/ Seth Meyer  
Print Name: Seth Meyer  
Title: Authorized Signatory

HERCULES PRIVATE GLOBAL VENTURE  
GROWTH FUND I L.P.

By: Hercules Adviser LLC, its Investment  
Adviser

Signature: /s/ Seth Meyer  
Print Name: Seth Meyer  
Title: Authorized Signatory

**Amended Loan Agreement**

*(see attached)*

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## LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (as amended by that certain First Amendment to Loan and Security Agreement dated as of February 3, 2023 (the “First Amendment”) and as further amended by that certain Second Amendment to Loan and Security Agreement dated as of August 22, 2024 (the “Second Amendment”)) 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.

sf-5987948

“Acquisition Deferred Payments” means, with respect to an Acquisition, any “earnouts,” holdbacks, performance based-milestones, royalties, purchase price adjustments, profit sharing

arrangements, 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 by the First Amendment and [the Second Amendment, and](#) as may be further amended, restated, amended and restated, supplemented or otherwise modified from time to time.

“Amortization Date” means initially, May 1, 2025; provided however, that (a) if the Approval Milestone is achieved prior to May 1, 2025, such date shall be extended to May 1, 2026, and (b) 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, and (b) 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.

“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.

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

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.

“First Amendment” has the meaning given to it in the preamble of this Agreement.

“First Amendment Closing Date” means February 3, 2023.

“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 Immature 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.

“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.

“New Drug Application 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 delivered evidence satisfactory to Agent (as determined in its reasonable discretion) that the FDA has accepted Borrower’s New Drug Application for the commercializing of Resmetirom for the treatment of patients with NASH in the United States of America.

“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;

(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

as of 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

(xv) or 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.

~~paper, supporting organizations, 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.

| [“Second Amendment” has the meaning given to it in the preamble of this Agreement.](#)

| [“Second Amendment Closing Date” means August 22, 2024.](#)

“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.

Closing Date Advance, Tranche 2a Subsequent Advance, Tranche 2b 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 2.45%, and (ii) 8.25%.

“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 2a” means the Advances pursuant to Section 2.2(b)(i) and 2.2(b)(ii).

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

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

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

“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(e).

“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:

	Section
<b>Agent</b>	Preamble
<b>Assignee</b>	11.14
<b>Borrower</b>	Preamble
<b>Claims</b>	11.11
<b>Collateral</b>	3.1
<b>Confidential Information</b>	11.13
<b>Confidentiality Agreement</b>	11.13
<b>Current Company IP</b>	5.10(a)
<b>End of Term Charge</b>	2.6
<b>Event of Default</b>	9
<b>Financial Statements</b>	7.1
<b>Indemnified Person</b>	6.3
<b>Lenders</b>	Preamble
<b>Liabilities</b>	6.3
<b>Maximum Rate</b>	2.3
<b>Participant Register</b>	11.8
<b>Test Date</b>	7.20(b)
<b>Prepayment Charge</b>	2.5
<b>Publicity Materials</b>	11.19
<b>Register</b>	11.7
<b>Rights to Payment</b>	3.1
<b>Specified Disputes</b>	5.10(g)
<b>Specified Percentage</b>	Schedule 1D
<b>Third Party IP</b>	5.10(i)
<b>Tranche 1 Advance</b>	2.2(a)
<b>Tranche 2a First Amendment Closing Date Advance</b>	2.2(b)(i)
<b>Tranche 2a Subsequent Advance</b>	2.2(b)(ii)
<b>Tranche 2b Advance</b>	2.2(c)
<b>Tranche 3 Advance</b>	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 2a Advances. Subject to the terms and conditions of this Agreement, (i) on the First Amendment 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 Thirty Five Million Dollars (\$35,000,000) (the “Tranche 2a First Amendment Closing Date Advance”) and (ii) on or prior to June 19, 2023, Borrower may request, and the Lenders shall severally (and not jointly) make, an additional Term Loan Advance in an aggregate principal amount equal to Fifteen Million Dollars (\$15,000,000) (the “Tranche 2a Subsequent Advance”).

(c) Tranche 2b Advance. Subject to the terms and conditions of this Agreement and the achievement of the New Drug Application Milestone, on or prior to the earlier of September 30, 2023 and the date that is ten (10) days following the achievement of the New Drug Application Milestone, Borrower may request, and the Lenders shall severally (and not jointly)

make, a Term Loan Advance in an aggregate principal amount equal to Fifteen Million Dollars (\$15,000,000) (the “Tranche 2b Advance”).

(d) 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~~ Second Amendment Closing Date, 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(d)) (each, a “Tranche 3 Advance”); provided that ~~Borrower shall not be permitted to request more than two (2) Tranche 3 Advances in total. the parties hereto agree that the Term Commitments in respect of Tranche 3 shall be immediately reduced to Zero Dollars (\$0.00) as of the Second Amendment Closing Date.~~

(e) 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 (x) prior to the Second Amendment Closing Date, up to Sixty Million Dollars (\$60,000,000) and (y) from and after the Second Amendment Closing Date, up to One Hundred Thirty Five Million Dollars (\$135,000,000), in each case, 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(e)) (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.

(f) 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.

(g) 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.

(h) 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

beginning on the Authorization 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(g), 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(g) 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

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

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(f), 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 2a First Amendment Closing Date Advance, Tranche 2a Subsequent Advance or Tranche 2b Advance, the Loan Parties shall have paid the applicable portion of the Tranche 2 Facility Charge and with respect to the Tranche 2a Subsequent Advance, the Loan Parties shall have delivered to Agent duly executed copies of Warrants with respect to such Tranche 2a Subsequent Advance, in substantially the form attached to the First Amendment as Annex F.
- (e) With respect to any Tranche 3 Advance, the Loan Parties shall have (i) paid the Tranche 3 Facility Charge and (ii) delivered to Agent duly executed copies of Warrants with respect to Tranche 3, in substantially the form attached to the First Amendment as Annex H.

(f) With respect to any Tranche 4 Advance, the Loan Parties shall have (i) paid the Tranche 4 Facility Charge and (ii) delivered to Agent duly executed copies of Warrants with respect to Tranche 4, in substantially the form attached to the First Amendment as Annex I.

(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.

~~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

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

to be referred to as "Specified Dispute"), 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 Afferro 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

## **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

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

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

however, that such Joinder shall not be required (i) of any material 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

(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,

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

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 I 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: [\*\*\*] [\*\*\*]

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

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

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,

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, 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)

Addendum 1:	Taxes; Increased Costs
Addendum 2:	[Reserved]
Addendum 3:	Agent and Lender Terms
Addendum 4:	Multiple Borrower Terms
Exhibit A:	Advance Request  Attachment to Advance Request
Exhibit B:	Name, Locations, and Other Information
Exhibit C:	Patents, Trademarks, Copyrights and Licenses
Exhibit D:	Deposit Accounts and Investment Accounts
Exhibit E:	Compliance Certificate
Exhibit F:	Joinder Agreement
Exhibit G:	[Reserved]
Exhibit H:	ACH Debit Authorization Agreement
Exhibit I:	[Reserved]
Exhibit J-1:	Form of U.S. Tax Compliance Certificate (For Foreign Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)
Exhibit J-2:	Form of U.S. Tax Compliance Certificate (For Foreign Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)
Exhibit J-3:	Form of U.S. Tax Compliance Certificate (For Foreign Participants That Are Partnerships For U.S. Federal Income Tax Purposes)
Exhibit J-4	Form of U.S. Tax Compliance Certificate (For Foreign Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)
Schedule 1.1	Commitments
Schedule 1	Subsidiaries
Schedule 1A	Existing Permitted Indebtedness
Schedule 1B	Existing Permitted Investments
Schedule 1C	Existing Permitted Liens
Schedule 1D	Specified Percentage
Schedule 4.4	Post-Closing Deliveries
Schedule 5.3	Consents, Etc.
Schedule 5.8	Tax Matters
Schedule 5.9	Intellectual Property Claims

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Schedule 5.10(a)	Current Company IP
Schedule 5.10(d)	Matters Relating to Current Material Agreements
Schedule 5.10(f)	Enforceability, Entitlement and Exploitation of Current Company IP
Schedule 5.10(i)	Claims of Infringement on Third Party IP by Current Company IP
Schedule 5.10(j)	Infringement on Third Party IP by Current Company IP
Schedule 5.10(k)	Obligations Relating to Company IP
Schedule 5.10(l)	Third Party Infringements of Company IP
Schedule 5.10(o)	Intellectual Property
Schedule 5.11	Products
Schedule 5.14	Capitalization
Schedule 7.20(b)	Performance Covenant
Schedule 9.8	Cross-Default
Annex D-1, D-2, and D-3	Form of Tranche 1 Warrants
Annex E-1	Form of Tranche 2a Warrants
Annex F	Form of Tranche 2a Subsequent Advance Warrants
Annex G	Form of Tranche 2b Warrants
Annex H	Form of Tranche 3 Warrants
Annex I	Form of Tranche 4 Warrants



**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, William J. Sibold, 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/ William J. Sibold

William J. Sibold

President and Chief Executive Officer  
(Principal Executive Officer)

Date: October 31, 2024

**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, Mardi C. Dier, 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/ Mardi C. Dier

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Mardi C. Dier

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

Date: October 31, 2024

**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 September 30, 2024 (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: October 31, 2024

*/s/* William J. Sibold

William J. Sibold  
President and Chief Executive Officer  
(Principal Executive Officer)

Dated: October 31, 2024

*/s/* Mardi C. Dier

Mardi C. Dier  
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.