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

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **November 18, 2020**

LIQUIDIA CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**001-39724**	**85-1710962**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

419 Davis Drive, Suite 100, Morrisville, North Carolina	**27560**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(919) 328-4400**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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	LQDA	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

EXPLANATORY NOTE

On November 18, 2020, Liquidia Corporation, a Delaware corporation (the "Company"), filed with the U.S. Securities and Exchange Commission (the "SEC") a Current Report on Form 8-K12B (the "Initial Form 8-K") to disclose that it completed its acquisition of RareGen, LLC, a Delaware limited liability company ("RareGen"), pursuant to the terms and conditions of an Agreement and Plan of Merger, dated as of June 29, 2020, as amended by a Limited Waiver and Modification to the Merger Agreement, dated as of August 3, 2020 (the "Merger Agreement"), by and among the Company, Liquidia Technologies, Inc., a Delaware corporation ("Liquidia Technologies"), RareGen, Gemini Merger Sub I, Inc., a Delaware corporation, Gemini Merger Sub II, LLC, a Delaware limited liability company, and PBM RG Holdings, LLC, a Delaware limited liability company, as Members' Representative. This Current Report on Form 8-K12B/A amends the Initial Report to amend the disclosure in Item 9.01 thereof with respect to the historical financial statements and unaudited pro forma information required by Item 9.01(a) and (b) of Form 8-K. This Current Report on Form 8-K12B/A should be read in conjunction with the Initial Report.

Item 9.01 Financial Statements and Exhibits.

(a) **Financial statements of businesses acquired.**

The audited balance sheets of RareGen as of December 31, 2019 and 2018, the related audited statements of operations, statements of changes in members' equity and statements of cash flows for the year ended December 31, 2019 and for the period from July 16, 2018 (inception) through December 31, 2018, the notes related thereto and the Report of Independent Auditor were previously reported as part of the Registration Statement on Form S-4, File No. 333-240421, as initially filed by the Company with the SEC on August 5, 2020 and declared effective on September 16, 2020, and incorporated herein by reference.

The balance sheets of RareGen as of September 30, 2020 (unaudited) and December 31, 2019 (audited), the related unaudited statements of operations, statements of changes in members' equity and statements of cash flows of RareGen for the nine months ended September 30, 2020 and 2019 and the notes related thereto are attached hereto as Exhibit 99.1 and incorporated herein by reference.

(b) **Pro Forma Financial Information.**

The unaudited pro forma condensed combined balance sheet of the Company as of September 30, 2020, the unaudited pro forma condensed combined statement of operations of the Company for the nine months ended September 30, 2020, the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2019 and the notes related thereto are attached hereto as Exhibit 99.2 and incorporated herein by reference.

Exhibit No.	**Exhibit**
23.1	Consent of BDO USA, LLP, Independent Auditor, with respect to RareGen, LLC.
99.1	Unaudited financial statements of RareGen, LLC as of and for the nine months ended September 30, 2020 and the notes related thereto.
99.2	Unaudited pro forma condensed combined financial statements of the Company as of and for the nine months ended September 30, 2020 and for the year ended December 31, 2019 and the related notes thereto.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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 hereunto duly authorized.

February 2, 2021	Liquidia Corporation
	By: /s/ Michael Kaseta
	Name: Michael Kaseta
	Title: Chief Financial Officer

Exhibit 23.1

Consent of Independent Auditors

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-251394) and Forms S-8 (No. 333-250179, 333-251904 and 333-252647) of Liquidia Corporation of our report dated July 17, 2020, relating to the financial statements of RareGen, LLC, which appears in Liquidia Corporation's Registration Statement on Form S-4 (No. 333-240421) and is incorporated by reference in this Current Report on Form 8-K12B/A.

/s/ BDO USA, LLP

Richmond, Virginia

February 2, 2021

Exhibit 99.1

RareGen, LLC

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RareGen, LLC

Balance Sheets

	September 30, 2020 (Unaudited)	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 10,699,389	$ 3,563,490
Accounts receivable	-	3,697,731
Prepaid expenses	30,685	43,844
Total current assets	10,730,074	7,305,065
Non-current assets		
Property, plant and equipment, net	81,871	69,952
Intangibles, net	13,666,667	16,666,667
Deposits	2,464	2,464
Total assets	$ 24,481,076	$ 24,044,148
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable	$ 75,528	$ 16,028
Accrued compensation	128,974	206,015
Due to related party	27,244	49,784
Accrued litigation costs	1,293,081	226,704
Litigation finance payable	1,777,236	—
Profit sharing liability	541,232	—
Other accrued expenses	64,735	51,679
Total current liabilities	3,908,030	550,210
Total liabilities	3,908,030	550,210
Members' equity	20,573,046	23,493,938
Total liabilities and members' equity	$ 24,481,076	$ 24,044,148

See accompanying notes to financial statements.

RareGen, LLC

Statements of Operations (Unaudited)

Nine months ended September 30,	**2020**	2019
Net service revenue	**$ 3,037,665**	$ 6,795,318
Litigation expense	**3,162,808**	4,532,549
Payroll expense	**1,680,204**	2,334,510
Contract support, general and administrative	**833,273**	898,370
Management fee	**180,000**	240,000
Research and development	**121,366**	23,888
Total operating expenses	**5,977,651**	8,029,317
Loss from operations	**(2,939,986)**	(1,233,999)
Interest income	**19,094**	12,481
Other expense	**—**	(53)
Total other income, net	**19,094**	12,428
Net loss	**$ (2,920,892)**	$ (1,221,571)

See accompanying notes to financial statements.

RareGen, LLC

Statements of Changes in Members' Equity (Unaudited)

	Common Units	Contributed Capital	Members' Deficit	Total
Balance, December 31, 2019	10,000	$ 24,200,000	$ (706,062)	$ 23,493,938
Net loss	—	—	(2,920,892)	(2,920,892)
Balance, September 30, 2020	**10,000**	**$ 24,200,000**	**$ (3,626,954)**	**$ 20,573,046**
Balance, December 31, 2018	10,000	$ 22,000,000	$ (1,115,836)	$ 20,884,164
Net loss	—	—	(1,221,571)	(1,221,571)
Capital contribution	—	2,200,000	—	2,200,000
Balance, September 30, 2019	**10,000**	**$ 24,200,000**	**$ (2,337,407)**	**$ 21,862,593**

See accompanying notes to financial statements.

RareGen, LLC

Statements of Cash Flows (Unaudited)

Nine months ended September 30,	**2020**	2019
Cash flows from operating activities:		
Net loss	**$ (2,920,892)**	$ (1,221,571)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	**3,003,801**	2,337,135
Changes in operating assets and liabilities:		
Accounts receivable	**3,697,731**	(4,402,545)
Prepaid expenses	**13,159**	(15,635)
Accounts payable	**59,500**	(69,808)
Accrued compensation	**(77,041)**	101,854
Due to related party	**(22,540)**	(23,471)
Profit sharing liability	**541,232**	—
Accrued litigation costs	**1,066,377**	1,564,691
Accrued expenses	**13,056**	23,071
Net cash provided by (used in) operating activities	**5,374,383**	(1,706,279)
Cash flows from investing activities:		
Purchase of property and equipment	**(15,720)**	(25,050)
Net cash used in investing activities	**(15,720)**	(25,050)
Cash flows from financing activities:		
Proceeds from capital contributions	**—**	2,200,000
Proceeds from litigation finance arrangement	**1,777,236**	—
Net cash provided by financing activities	**1,777,236**	2,200,000
Increase in cash and cash equivalents	**7,135,899**	468,671
Cash and cash equivalents, beginning of period	**3,563,490**	1,080,784
Cash and cash equivalents, end of period	**$ 10,699,389**	$ 1,549,455

See accompanying notes to financial statements.

1. Background and Organization

Nature of Business

The Company was formed on July 16, 2018, as a Limited Liability Company (“LLC”) under State of Delaware statutes. Under the terms of the LLC Operating Agreement, the term of the Company continues in perpetuity.

RareGen, LLC (the “Company”) provides strategy, commercialization, and investment support to companies developing therapeutics addressing rare diseases. The Promotion Agreement, executed on August 1, 2018, with Sandoz, Inc. (“Sandoz”) is the Company’s first partnership, in which the parties launched the first-to-file generic of Treprostinil Injection for the treatment of patients with pulmonary arterial hypertension (“PAH”).

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

These unaudited interim financial statements should be read in conjunction with the audited annual financial statements and notes to the audited annual financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances, and highly liquid investments with an initial maturity of three months or less. Cash equivalents include money market accounts.

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (“FDIC”) up to certain limits. At September 30, 2020 and December 31, 2019, the Company had approximately $10,449,000 and $3,313,000, respectively, in excess of FDIC-insured limits. The Company has not experienced any losses in such accounts.

Accounts Receivable

Accounts receivable balances are monitored by management to determine if they are uncollectible. The Company has recorded no allowance for doubtful accounts at September 30, 2020 and December 31, 2019.

2. Summary of Significant Accounting Policies (continued)

Credit risk and concentrations

One customer accounted for 100% of total accounts receivable and net service revenue for all periods presented in these financial statements.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation. The costs of major repairs and maintenance that extend the useful life of the asset are capitalized and normal maintenance and repairs are charged to expense as incurred. Depreciation is computed by the straight-line method over the estimated useful lives of the related assets, ranging from five to seven years. Upon retirement or sale of an asset, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

Impairment of Long-lived Assets

The Company reviews the carrying value of property, plant, and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. The factors considered by management in performing this assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors. No impairment losses were recorded for long-lived assets during the periods ended September 30, 2020 or September 30, 2019, respectively.

Intangible Assets

Intangible assets that have finite useful lives are amortized by the Company using the straight-line method over their estimated useful lives and are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Intangible assets are considered impaired if the fair value of the intangible assets is lower than carrying value. The fair value of intangible assets is determined based upon the present value of expected future cash flows using discount rates commensurate with the risks involved in the asset, or upon estimated replacement cost. The Company did not incur any impairment charges to intangible assets during the periods ended September 30, 2020 or September 30, 2019, respectively.

Operating Leases

Total rent payments under operating leases that include scheduled payment increases are amortized on a straight-line basis over the term of the lease.

Fair Value of Financial Instruments

The Company’s investments in cash equivalents are carried in the financial statements at fair value with changes recorded through earnings. Additionally, estimates of fair value for certain assets may be necessary from time to time if impairment concerns are present. For such measurements, the Company has adopted FASB guidance on fair value measurements.

2. Summary of Significant Accounting Policies (continued)

The provisions of the guidance provide a framework for measuring fair value under GAAP and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

This guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels:

Level 1 – Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets and quoted prices identical or similar assets and liabilities in markets that are not active.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

The Company's financial instruments include its cash equivalents, accounts receivable, accounts payable, and due to related party. As previously stated, the Company's investments in cash equivalents are recorded at fair value. The carrying values for the Company's other financial instruments, excluding the related party instrument, are believed to approximate fair values due to their short-term nature. The carrying values associated with related party financial instruments cannot be presumed to approximate fair value due to the absence of comparable transactions with third parties.

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of Topic 606 is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

- Step 1: Identify the contract with the customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when the company satisfies a performance obligation

In order to identify the performance obligations in a contract with a customer, the company assesses the promised goods or services in the contract and identifies each promised good or service that is distinct.

2. Summary of Significant Accounting Policies (continued)

If a good or service is not distinct, the good or service is combined with other promised goods or services until a bundle of goods or services is identified that is distinct.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

Variable consideration is included in the transaction price only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Company evaluates any non-cash consideration, consideration payable to the customer, and whether consideration contains a significant financing element in determining the transaction price.

Revenue is measured based on consideration specified in a contract with a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a service to a customer.

On August 1, 2018, the Company partnered with Sandoz in a Promotion Agreement (the “Promotion Agreement”) to launch the first-to-file generic of Treprostinil Injection for the treatment of patients with PAH. Under the Promotion Agreement, the Company provides certain promotional and nonpromotional activities on an exclusive basis for the product in the United States of America for the treatment of PAH, in exchange for a share of Sandoz’s net profits, as defined within the Promotion Agreement. In addition, the Company paid Sandoz $20 million at the inception of the Promotion Agreement, in consideration for the right to conduct the promotional activities for the product. In exchange for its services, the Company is entitled to receive a portion of net profits based on specified profit levels associated with the product.

The Company determined that certain activities within the contract are within the scope of ASC 808, *Collaborative Arrangements*. The commercialization of the product is a joint operating activity where the Company will provide promotional activities for Sandoz’s intellectual property and Sandoz will be responsible for items such as supply of the product, distribution to customers, managing sales, returns, and regulatory matters, and protection of patents. Both parties will be active participants, each carrying out its assigned responsibilities, and participating in the joint operating activity and will share in the risks and rewards of the commercialization through the profit-sharing arrangement.

In addition, the Company determined that the services provided under the Promotion Agreement fall within the scope of Topic 606. While this is the Company’s first income-generating contract, the promotional activities the Company will perform are one of the services the Company expects to provide as part of its ordinary activities, and it is receiving consideration for this service from Sandoz in the form of a share of future net profits. The Company has one combined performance obligation under the Promotion Agreement, which is to perform promotional and non-promotional activities to encourage the appropriate use of the product in accordance with the product labeling and applicable law. As such, and in accordance with ASU 2018-18: *Clarifying the Interaction between Topic 808 and Topic 606*, the Company will account for the entire Agreement under Topic 606.

2. Summary of Significant Accounting Policies (continued)

The share of net profits due to the Company under the Promotion Agreement represents variable consideration as described in Topic 606 that is subject to a number of uncertainties, including the level of acceptance the product achieved from health care providers that must prescribe the product to their patients, or by payors such as insurers who must add the product to their list of covered drugs, “gross to net” revenue adjustments, Sandoz’s costs, and competition from other generics that have or may enter the market. As such, the recognition of revenue will be over time and limited to the amount that is receivable based on the net profit hurdles achieved to date. The Company will receive payments representing its share of net profits on a quarterly basis based on net profits payable from Sandoz to date during the term of the Promotion Agreement.

The $20 million paid by the Company to Sandoz as consideration payable to the customer has been recorded as an asset that will be amortized on a straight-line basis into income as contra revenue over the initial five-year term of the contract.

The Promotion Agreement has customary termination provisions for breach, bankruptcy of one of the parties, withdrawal of marketing approval, and safety concerns. Both parties have the right to terminate the Promotion Agreement before the end of the initial term in certain circumstances including if net profits targets are not reached or after aggregate net profits received by the other party has reached a specified hurdle.

The product was launched in March of 2019. For the nine-month period ended September 30, 2020, the Company recognized revenues for its share of net profits under the Promotion Agreement of approximately $3.0 million including contra revenue of approximately $3.0 million, related to the amortization of the upfront payments. For the nine-month period ended September 30, 2019, the Company recognized revenues for its share of net profits under the Promotion Agreement of approximately $6.8 million including contra revenue of approximately $2.3 million. At September 30, 2020 and December 31, 2019, the unamortized balances of the upfront payments made to Sandoz were approximately $13.7 million and $16.7 million, respectively, which are included in Intangibles, net in the Company’s Balance sheet.

Amendments to the Promotion Agreement with Sandoz

On May 8, 2020, the first amendment to the Promotion Agreement with Sandoz became effective. The significant provisions of the first amendment are as follows:

> Sandoz and the Company will share any litigation proceeds in the current lawsuit or any future lawsuit they bring against United Therapeutics Corporation and Smiths Medical ASD, Inc. (“Smiths”). The parties will also share equally in any losses incurred and approved expenses incurred in connection with this litigation. Note 7 includes a description of the circumstances regarding this litigation.

On September 4, 2020, the second amendment to the Promotion Agreement with Sandoz became effective. This second amendment extended Sandoz’s waiver of its right to terminate the Promotion Agreement for a change in control of the Company upon consummation of the Merger Transaction (as defined below) from September 30, 2020 to December 31, 2020.

As a result of the Merger Transaction discussed further below, certain provisions of the first and second amendments to the Promotion Agreement with Sandoz were triggered and became effective on the Closing Date (see Note 11).

2. Summary of Significant Accounting Policies (continued)

Merger Transaction with Liquidia Technologies

As described further below in Note 11, Liquidia Technologies, Inc. (“Liquidia Technologies”), Liquidia Corporation (together with Liquidia Technologies, “Liquidia”), Gemini Merger Sub I, Inc., a then-wholly owned subsidiary of Liquidia Corporation (“Liquidia Merger Sub”), Gemini Merger Sub II, LLC, a then-wholly owned subsidiary of Liquidia Corporation (“RareGen Merger Sub”), PBM RG Holdings, LLC and the Company entered into an Agreement and Plan of Merger on June 29, 2020, as amended (the “Merger Agreement”). Pursuant to the Merger Agreement, on November 18, 2020 (the “Closing Date”), Liquidia Merger Sub merged with and into Liquidia Technologies (the “Liquidia Technologies Merger”) and RareGen Merger Sub merged with and into the Company (the “RareGen Merger” and, together with the Liquidia Technologies Merger, the “Merger Transaction”). Upon consummation of the Merger Transaction on the Closing Date, the separate corporate existences of Liquidia Merger Sub and RareGen Merger Sub ceased and Liquidia Technologies and the Company continue as wholly owned subsidiaries of Liquidia Corporation.

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires companies with leases to recognize on their balance sheets the assets and liabilities generated by contracts longer than a year. The total value is calculated based on the present value of the future lease payments and the expense is recognized over the life of the lease on a straight-line basis. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which defers the effective date of ASU 2016-02 for certain entities that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of ASU 2016-02. The main provision of ASU 2020-05 allows entities to elect to adopt the guidance for fiscal years beginning after December 15, 2021. Early application continues to be permitted, which means that an entity may choose to implement Topic 842 before the deferred effective date. The Company has not adopted Topic 842 and is currently evaluating the implications of this standard.

3. Cash and Cash equivalents

Cash and Cash equivalents consisted of the following:

	September 30, 2020	December 31, 2019
Cash	**$ 822,790**	$ 111,079
Cash equivalents	**9,876,599**	3,452,411
Total	**$ 10,699,389**	$ 3,563,490

4. Intangible Assets

Intangible assets consisted of the following:

	September 30, 2020		
	Gross Carrying Amount	**Accumulated Amortization**	**Intangibles, Net**
Up-front payments to Sandoz (the Customer)	**$ 20,000,000**	**$ 6,333,333**	**$ 13,666,667**

	December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Intangibles, Net
Up-front payments to Sandoz (the Customer)	$ 20,000,000	$ 3,333,333	$ 16,666,667

Amortization expense for the nine months ended September 30, 2020 and 2019 was $3,000,000 and $2,333,333, respectively.

5. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	September 30, 2020	December 31, 2019
Computer hardware	**$ 17,375**	$ 17,375
Office equipment	**7,968**	7,968
Construction in progress	**65,820**	50,100
	91,163	75,443
Less accumulated depreciation	**(9,292)**	(5,491)
	$ 81,871	$ 69,952

6. Related Party Transactions

The Company entered into a management Agreement effective August 7, 2018 with a PBM Capital Group, a related party of the Company, to provide accounting, administrative, management and other services to the Company. In connection with the management Agreement, the Company pays a management fee to PBM Capital Group in the amount of $40,000 per month. Effective April 1, 2019, the management Agreement was amended and the management fee was reduced to $20,000 per month. Management fees in the amount of approximately $180,000 and $240,000 were expensed for the periods ended September 30, 2020 and September 30, 2019, respectively. The amounts are shown in the accompanying statements of operations.

7. Commitments and Contingencies

Litigation

On April 16, 2019, the Company and Sandoz (together the "Plaintiffs"), asserted that the defendants, United Therapeutics and Smiths, violated the Sherman Act and impeded unlawfully in the competition for a new generic drug that treats PAH (the "Litigation"). As described in Note 2, the Plaintiffs launched the first-to-file generic of Treprostinil Injection for the treatment of patients with PAH. The Plaintiffs allege that United Therapeutics prohibited specialty pharmacies from dispensing the cartridges necessary for Treprostinil to be administered through subcutaneous injection for use with generic Treprostinil. The Plaintiffs asked the court to stop the defendants from denying patients access to the cartridges and sought a preliminary injunction to attain access to them. As of September 30, 2020, the Litigation is still in process. As discussed in Note 11, on November 6, 2020, the Plaintiffs entered into a Binding Term Sheet Agreement (the "Term Sheet") with Smiths in order to resolve the outstanding Litigation solely with respect to disputes between Smiths, the Company and Sandoz. Pursuant to the Term Sheet, among other things, Smiths made a settlement payment of $4.25 million to the Plaintiffs and the parties agreed to negotiate in good faith to reduce the Term Sheet to a definitive settlement agreement. Also refer to Note 11.

Various legal claims may also arise from time to time in the normal course of business, which, in the opinion of management, will not have a material effect on the financial position or results of operations of the Company.

Litigation Financing Agreement

On June 4, 2020 the Company entered into a financing Agreement ("Financing Agreement") with Henderson SPV, LLC ("Henderson") to cover the prospective costs of the Litigation with United Therapeutics Corporation and Smiths, from the date of the Financing Agreement, in consideration for a share of the Litigation proceeds. The share is a fixed percentage based on the Litigation proceeds with various Litigation proceed ranges. In the case where the Company has no proceeds from the Litigation, Henderson will not be owed, by the Company, the Litigation expenses that were previously financed. However, in the case where proceeds are received from the Litigation, Henderson will receive the repayment of any funds advanced to the Company as well as a percentage of any excess proceeds in accordance with the terms of the Financing Agreement. Under ASC 470-10-25-2, the proceeds received from Henderson have been recorded as debt on the Company's balance sheet because the Company is actively involved in the management of the Litigation. As of September 30, 2020, litigation costs totaling $1,777,236 have been financed by Henderson.

8. Members' Equity

The Company accounts for the common units pursuant to the LLC Agreement (the "LLC Agreement"). The Company has the authority to issue common units. At September 30, 2020 and December 31, 2019, the number of common units authorized, issued, and outstanding was 10,000. Each common unit holder or member shall be entitled to one vote per common unit on any matter voted upon by the members of the Company. Such vote may be taken at a meeting of the members or by written consent.

Under the terms of the LLC Agreement, allocations of profits, losses, and distributions are in the following priorities:

Profits for any fiscal year or any other period, other than Profits from a Terminating Capital Transaction, as defined in the LLC Agreement, shall be allocated to the Members on a pro rata basis in proportion to respective Unit Percentages, as defined in the LLC Agreement.

Losses for any fiscal year or any other period, other than Losses from a Terminating Capital Transaction, shall be allocated to the Members to the extent of and in proportion to their respective positive Capital Account balances and, thereafter, to the Members on a pro rata basis in proportion to their respective Unit Percentages.

Cash Distributions: The Company may, in the sole and absolute discretion of the Board, distribute annually to the Members (or in the Board's discretion, more frequently) an amount not to exceed Distributable Cash, as defined in the LLC Agreement, for such fiscal year or other period, or the net proceeds to the Company from any financing or refinancing to the Members on a pro rata basis in proportion to their respective Unit Percentages. As an LLC, the Company is not a taxpaying entity for federal income tax purposes. Accordingly, the Company's taxable income or loss is allocated to its members in accordance with their respective percentage ownership. Therefore, no provision or liability for income taxes has been included in the accompanying financial statements.

9. COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The resulting impact of COVID-19 on the economic environment has been significant and the continued impact on business activity may include but not be limited to:

1. Reduced demand for goods and services due to economic uncertainty;
2. Disruption of global supply chains due to restrictions placed on the movement of people and goods;
3. Lack of investment in capital improvements and construction, reducing demand for many goods and services; and
4. Reduction in market prices for commodities and financial assets, including equity and debt instruments.

9. COVID-19 (continued)

The full impact of the COVID-19 outbreak continues to evolve as of the date of these financial statements. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's future financial condition, liquidity, and results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the future effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity.

Known and direct impacts to the Company's business activities include the following:

- The Company's primary service relates to a life-sustaining, critical pharmaceutical for patients. As such, the demand for the service is directly impacted by these patient's needs. The success of the Company's business is dependent on the distribution and supply chain of Sandoz.

- Since the Company's sales force is not physically active in the field and virtual interactions with health care professionals are limited, this has had and may continue to have an impact on the near-term growth of its business.

10. CARES Act

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

It also appropriated funds for the Small Business Administration Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19.

The Company has examined the impact that the CARES Act may have on its business and currently the Company does not believe there is an impact from the CARES Act. The Company will continue to examine any impact the CARES Act has on its financial condition, results of operations, or liquidity.

11. Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition and/or disclosure through February 2, 2021, the date these financial statements were available to be issued.

On November 6, 2020, the Plaintiffs entered into the Term Sheet with Smiths. In accordance with the Term Sheet, among other things, the Plaintiffs received a payment of $4.25 million (the "Settlement Proceeds"), which was split between the Plaintiffs equally, and the parties agreed to negotiate in good faith to reduce the Term Sheet to a definitive settlement Agreement. In addition, pursuant to the Term Sheet, Smiths disclosed and made available to the Plaintiffs certain specifications and other information related to the cartridge that Smiths developed and manufactures for use with the CADD-MS 3 Infusion pump (the "CADD-MS 3 Cartridge"). Pursuant to the Term Sheet, Smiths also granted the Plaintiffs a non-exclusive, royalty-free license in the United States to Smiths' patents and copyrights associated with the CADD-MS 3 Cartridge and certain other information for use of the CADD-MS 3 pump and the CADD-MS 3 Cartridge.

In accordance with the terms of the Financing Agreement, upon receipt of the Settlement Proceeds, the Company paid $1.4 million of the Settlement Proceeds to Henderson.

On October 13, 2020, the Company received approximately $286,000 in funding from Henderson pursuant to the Financing Agreement described in Note 7 above.

The Company is indemnified through the Litigation Funding and Indemnification Agreement, dated as of November 17, 2020, by and between PBM RG Holdings and the Company.

11. Subsequent Events (continued)

On the Closing Date, Liquidia and the Company completed the Merger Transaction. Upon completion of the Merger Transaction, the Company and Liquidia Technologies are wholly owned subsidiaries of Liquidia Corporation. On the Closing Date, the Company's members received an aggregate 5,550,000 shares of Liquidia Corporation common stock, $0.001 par value per share ("Liquidia Corporation Common Stock"). Furthermore, on the Closing Date, 616,666 shares of Liquidia Corporation Common Stock were withheld from the Company's members to secure the indemnification obligations of the Company's members pursuant to the Merger Agreement. The Company's members are also entitled to receive up to an aggregate of 2,708,333 shares of Liquidia Corporation Common Stock, based on the amount of 2021 net sales achieved under the Promotion Agreement. Additionally, on the Closing Date, the Company's members received their respective pro rata portion of the Company's cash in excess of $1 million.

Upon the closing of the Merger Transaction, the Promotion Agreement term was extended until the eight-year anniversary of the First Commercial Sale (as defined in the Promotion Agreement) by Sandoz and shall automatically renew for successive two-year terms unless earlier terminated pursuant to the provisions of the Promotion Agreement. In addition, among other things, upon the closing of the Merger Transaction the formula for the sharing of Net Profits (as defined in the Promotion Agreement) between Sandoz and the Company under the Promotion Agreement was modified.

Exhibit 99.2

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS OF LIQUIDIA CORPORATION

On November 18, 2020 (the “Closing Date”), we completed the previously announced acquisition contemplated by the Agreement and Plan of Merger, dated as of June 29, 2020, as amended by a Limited Waiver and Modification to the Merger Agreement, dated as of August 3, 2020 (the “Merger Agreement”), by and among Liquidia Technologies, Inc., a Delaware corporation (“Liquidia Technologies”), Liquidia Corporation, a Delaware corporation (“Liquidia Corporation”), RareGen, LLC, a Delaware limited liability company (“RareGen”), Gemini Merger Sub I, Inc., a Delaware corporation (“Liquidia Merger Sub”), Gemini Merger Sub II, LLC, a Delaware limited liability company (“RareGen Merger Sub”), and PBM RG Holdings, LLC, a Delaware limited liability company (“PBM RG Holdings”). Pursuant to the Merger Agreement, Liquidia Merger Sub, a former wholly owned subsidiary of Liquidia Corporation, merged with and into Liquidia Technologies (the “Liquidia Technologies Merger”), and RareGen Merger Sub, a former wholly owned subsidiary of Liquidia Corporation, merged with and into RareGen (the “RareGen Merger” and, together with the Liquidia Technologies Merger, the “Merger Transaction”). Upon consummation of the Merger Transaction, the separate corporate existences of Liquidia Merger Sub and RareGen Merger Sub ceased and Liquidia Technologies and RareGen continue as wholly owned subsidiaries of Liquidia Corporation. Unless the context otherwise requires, references in this Exhibit 99.2 to “we,” “us,” “our” and “our company” refer to Liquidia Corporation and its subsidiaries (except for periods prior to the Closing Date, which refer to Liquidia Technologies).

The following unaudited pro forma condensed combined financial statements give effect to the Merger Transaction. The Unaudited Pro Forma Condensed Combined Balance Sheet is presented as if the Merger Transaction had occurred on September 30, 2020. The Unaudited Pro Forma Condensed Combined Statements of Operations for the nine months ended September 30, 2020 and for the year ended December 31, 2019 are presented as if the Merger Transaction had occurred on January 1, 2019, the beginning of the earliest period presented. The unaudited pro forma condensed combined financial statements are based on the historical consolidated financial statements of our company and RareGen, and the assumptions and adjustments set forth in the accompanying explanatory notes. These unaudited pro forma condensed combined financial statements were prepared using the acquisition method of accounting where we are considered the acquirer of RareGen for accounting purposes. See “Note 2 - Basis of Presentation” below on Page 7.

The unaudited pro forma condensed combined financial statements for the Merger Transaction have been developed from and should be read in conjunction with our unaudited interim consolidated financial statements contained in our Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2020 filed with the U.S. Securities and Exchange Commission (the “SEC”) on November 6, 2020 and our audited financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC on March 16, 2020, which are each incorporated by reference into this Exhibit 99.2. The acquisition of RareGen is expected to be accounted for as a business combination and will reflect the application of acquisition accounting in accordance with Accounting Standards Codification (ASC) 805, Business Combinations. For purposes of developing the Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2020, the acquired RareGen assets, including identifiable intangible assets and liabilities assumed, have been recorded at their estimated fair values with the excess purchase price assigned to goodwill. The pro forma adjustments are based on preliminary estimates of the fair values of assets acquired and liabilities assumed and information available as of the date of filing the Current Report on Form 8-K12B/A of which this Exhibit 99.2 is incorporated therein by reference (the “Form 8-K12B/A”). Certain valuations and assessments, including valuations of property, plant and equipment, contingent consideration, other intangible assets as well as the assessment of the tax positions and rates of the combined business, are in process and will not be completed until subsequent to the filing of the Form 8-K12B/A. The estimated fair values assigned in these unaudited pro forma condensed combined financial statements are preliminary and represent our current best estimate of fair value and are subject to revision.

On the Closing Date, an aggregate of 5,550,000 shares of Liquidia Corporation common stock, $0.001 par value per share ("Liquidia Corporation Common Stock"), were issued to RareGen members in exchange for 10,000 RareGen common units, representing all of the issued and outstanding RareGen equity. Additionally, on the Closing Date, an aggregate of 616,666 shares of Liquidia Corporation Common Stock were withheld from RareGen members to secure the indemnification obligations of RareGen members. Additionally, RareGen members received a pro rata portion of the RareGen cash at closing in excess of $1 million. RareGen members are also entitled to receive a pro rata portion of up to an additional 2,708,333 shares of Liquidia Corporation Common Stock in the aggregate in 2022, based on the amount of 2021 net sales of the generic treprostinil product ("Net Sales Earnout Shares") owned by Sandoz Inc. ("Sandoz"), which RareGen markets pursuant to that certain Promotion Agreement between RareGen and Sandoz, dated as of August 1, 2018, as amended on May 8, 2020 and September 4, 2020 (the "Promotion Agreement"). Please see Note 3 below for further detail on consideration paid to RareGen members. The fair value of the purchase consideration, or the purchase price, in the unaudited pro forma condensed combined financial statements was approximately $20.8 million. The purchase consideration consists of the 6,166,666 shares of Liquidia Corporation Common Stock based on a per share price of $3.38, which represents the closing price of Liquidia Technologies common stock, $0.001 par value per share ("Liquidia Technologies Common Stock"), on the Closing Date. The estimated fair value of the contingent consideration was *de minimis*.

Unaudited Pro Forma Condensed Combined Balance Sheet

September 30, 2020

	Liquidia Technologies	RareGen	Transaction Accounting Adjustments	Notes	Pro Forma Combined
Assets					
Current assets:					
Cash and cash equivalents	$ 79,551,041	$ 10,699,389	$ (9,699,389)	**A**	$ 80,551,041
Prepaid expenses and other current assets	1,095,331	30,685	—		1,126,016
Total current assets	80,646,372	10,730,074	(9,699,389)		81,677,057
Property and equipment, net	7,388,376	81,871			7,470,247
Operating lease right-of-use assets	2,698,344	—	—		2,698,344
Intangible assets, net	—	—	5,767,000	**C**	5,767,000
Indemnification asset	—	—	1,777,236	**H**	1,777,236
Goodwill	—	—	2,787,873	**C**	2,787,873
Other assets	378,043	13,669,131	(433,667)	**C**	13,613,507
Total assets	$ 91,111,135	$ 24,481,076	$ 199,053		$ 115,791,264
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable and accrued expenses	$ 6,893,434	$ 1,562,318	$ 2,277,244	**D, F**	$ 10,732,996
Profit share liability	—	541,232	(541,232)	**B**	—
Lease liabilities, current portion	1,752,532	—	—		1,752,532
Due to related party	—	27,244	(27,244)	**D**	—
Litigation finance payable	—	1,777,236	—		1,777,236
Deferred income tax liability	—	—	470,000	**G**	470,000
Current portion of long-term debt	5,585,636	—	—		5,585,636
Total current liabilities	14,231,602	3,908,030	2,178,768		20,318,400
Lease liabilities, noncurrent	5,494,052	—	—		5,494,052
Long-term debt	6,104,374	—	—		6,104,374
Total liabilities	25,830,028	3,908,030	2,178,768		31,916,826
Stockholders' Equity					
Members' equity	—	20,573,046	(20,573,046)	**E**	—
Common stock	37,752	—	6,167	**E**	43,919
Additional paid-in capital	324,159,065	—	20,837,164	**E**	344,996,229
Accumulated deficit	(258,915,710)	—	(2,250,000)	**F**	(261,165,710)
Total stockholders' equity	65,281,107	20,573,046	(1,979,715)		83,874,438
Total liabilities and stockholders' equity	$ 91,111,135	$ 24,481,076	$ 199,053		$ 115,791,264

See accompanying "Notes to the Unaudited Pro Forma Condensed Combined Financial Statements."

Unaudited Pro Forma Condensed Combined Statement of Operations

For the Nine Months Ended September 30, 2020

	Liquidia Technologies	RareGen	Transaction Accounting Adjustments	Notes	Pro Forma Combined
Net service revenue	$ —	$ 3,037,665	$ —		$ 3,037,665
Net service revenue	—	3,037,665	—		3,037,665
Operating expenses:					
Cost of service revenue	—	967,000	485,000	**I**	1,452,000
Research and development	26,974,320	121,366	—		27,095,686
General and administrative	16,201,249	4,889,285	(2,500,000)	**F**	18,590,534
Total operating expenses	43,175,569	5,977,651	(2,015,000)		47,138,220
(Loss) Income from operations	(43,175,569)	(2,939,986)	2,015,000		(44,100,555)
Interest income	155,852	19,094	—		174,946
Interest expense	(656,543)	—	—		(656,543)
Net (loss) income	$ (43,676,260)	$ (2,920,892)	$ 2,015,000		$ (44,582,152)
Net loss per share, basic and diluted	$ (1.38)				$ (1.18)
Weighted average common shares outstanding, basic and diluted	31,576,992		6,166,666	**E**	37,743,658

See accompanying "Notes to the Unaudited Pro Forma Condensed Combined Financial Statements."

Exhibit 99.2

Unaudited Pro Forma Condensed Combined Statement of Operations

For the Year Ended December 31, 2019

	Liquidia Technologies	RareGen	Transaction Accounting Adjustments	Notes	Pro Forma Combined
Net service revenue	$ —	$ 10,088,356	$ —		$ 10,088,356
Collaboration revenue	8,072,120	—	—		8,072,120
Total revenue	8,072,120	10,088,356	—		18,160,476
Operating expenses:					
Cost of revenue	807,192	2,211,124	953,000	**I**	3,971,316
Research and development	40,491,358	30,627	—		40,521,985
General and administrative	13,597,119	7,459,577	4,750,000	**F**	25,806,696
Total operating expenses	54,895,669	9,701,328	5,703,000		70,299,997
(Loss) Income from operations	(46,823,549)	387,028	(5,703,000)		(52,139,521)
Interest income	613,716	22,799	—		636,515
Interest expense	(1,373,622)	(53)	—		(1,373,675)
Net (loss) income	$ (47,583,455)	$ 409,774	$ (5,703,000)		$ (52,876,681)
Net loss per share, basic and diluted	$ (2.57)				$ (2.15)
Weighted average common shares outstanding, basic and diluted	18,482,455		6,166,666	**E**	24,649,121

See accompanying “Notes to the Unaudited Pro Forma Condensed Combined Financial Statements.”

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

1. Description of Transaction

Consideration paid to RareGen

On the Closing Date, an aggregate of 5,550,000 shares of Liquidia Corporation Common Stock were issued to RareGen members in exchange for 10,000 RareGen common units, representing all of the issued and outstanding RareGen equity. Additionally, on the Closing Date, an aggregate of 616,666 shares of Liquidia Corporation Common Stock were withheld from RareGen members to secure the indemnification obligations of RareGen members. RareGen members are also entitled to receive between 1,458,333 shares of Liquidia Corporation Common Stock, in the event that 2021 net sales under the Promotion Agreement equals $32.9 million, and 2,708,333 shares of Liquidia Corporation Common Stock in the event that 2021 net sales under the Promotion Agreement equals $61.1 million. Additionally, RareGen members received a pro rata portion of the RareGen cash at closing in excess of $1 million, which is referred to in the Merger Agreement as the Minimum Cash Amount. This number of shares of Liquidia Corporation Common Stock to be exchanged in the Merger Transaction was not, and will not be, as applicable, adjusted for changes in the market price or number of shares outstanding of either Liquidia Technologies Common Stock between the date of signing the Merger Agreement and the Closing Date or, for purposes of the Net Sales Earnout Shares, the Liquidia Corporation Common Stock between the Closing Date and the date of determination of whether 2021 net sales are at least $32.9 million.

2. Basis of Presentation

The accompanying unaudited pro forma condensed combined financial statements give effect to the Merger Transaction in which RareGen merged with and into our company. The unaudited pro forma condensed combined financial statements are based on the historical consolidated financial statements of our company and RareGen, and the assumptions and adjustments set forth in these notes. The unaudited pro forma condensed combined financial statements are provided for informational purposes only and are based on available information and assumptions that we believe are reasonable. It does not purport to represent what the actual consolidated results of operations or the consolidated financial position of Liquidia Corporation would have been if the Merger Transaction occurred on the dates indicated, nor is it necessarily indicative of future consolidated results of operations or consolidated financial position. The actual financial position and results of operations will differ, perhaps significantly, from the pro forma amounts reflected herein due to a variety of factors, including access to additional information, changes in value not currently identified and changes in operating results following the date of the unaudited pro forma condensed combined financial statements.

Merger-related pro forma adjustments are included only to the extent they are adjustments that reflect the accounting for the transaction in accordance with U.S. GAAP.

The Merger Transaction is expected to be accounted for using the acquisition method of accounting with our company considered the accounting and legal acquirer. The unaudited pro forma condensed combined financial statements reflect the preliminary assessment of fair values and useful lives assigned to the assets acquired and liabilities assumed. Fair value estimates were determined based on preliminary discussions between us and RareGen and through due diligence efforts. The detailed valuation studies necessary to arrive at the required estimates of the fair values for the RareGen assets acquired and liabilities assumed have not been completed. Significant assets and liabilities that are subject to preparation of valuation studies to determine appropriate fair value adjustments include intangible assets, deferred income tax liability and accrued costs. Changes to the fair values of these assets and liabilities may also result in changes to goodwill recorded from the acquisition, which could be material.

3. Preliminary Purchase Consideration

The fair value of the purchase consideration, or the purchase price, in the unaudited pro forma condensed combined financial statements was approximately $20.8 million. The purchase consideration consists of the 6,166,666 shares of Liquidia Corporation Common Stock based on a per share price of $3.38, which represents the closing price of Liquidia Technologies Common Stock on the Closing Date.

The total estimated purchase price and allocated purchase price is summarized as follows:

Number of shares of the combined company to be owned by RareGen's members		6,166,666
Multiplied by the fair value per share of Liquidia Technologies common stock	$	3.38
Total estimated purchase price	$	20,843,331

For purposes of this pro forma analysis, the above estimated purchase price has been allocated as follows based on a preliminary estimate of the fair value of assets and liabilities acquired as of September 30, 2020:

Cash	$	1,000,000
Property and equipment		81,871
Prepaid and other current assets		30,685
Intangible assets		5,767,000
Other assets		13,235,464
Indemnification asset		1,777,236
Goodwill		2,787,873
Less other current liabilities		(1,589,562)
Less litigation finance payable, current		(1,777,236)
Less deferred tax liability		(470,000)
Total estimated purchase price	$	20,843,331

4. Pro Forma Adjustments

In May 2020, the SEC adopted Release No.33-10786, “Amendments to Financial Disclosures about Acquired and Disposed Businesses” (the “Final Rule”). The Final Rule became effective on January 1, 2021, and the unaudited pro forma condensed combined financial statements herein are presented in accordance therewith.

Adjustments included in the column under the heading “Transaction Accounting Adjustments” are solely based on information contained within the Merger Agreement. Transaction Accounting Adjustments are required adjustments that reflect only the application of required accounting to the transaction linking the effects of the acquisition of RareGen to our historical financial statements.

Given our history of net losses and valuation allowance, management assumed a statutory tax rate of 0%. Therefore the pro forma adjustments to the statement of operations resulted in no income tax adjustment to the pro forma financial statements.

Pro forma adjustments are necessary to reflect the acquisition consideration exchanged and to adjust amounts related to the tangible assets and liabilities of RareGen to reflect the preliminary estimate of their fair values, and to reflect the impact on the balance sheets and statements of operations of the Merger Transaction as if the companies had been combined during the periods presented herein. The pro forma adjustments included in the unaudited pro forma condensed combined financial statements are as follows:

A. To adjust cash received from RareGen as RareGen members received a pro rata portion of all cash in excess of $1.0 million at the closing per the terms of the Merger Agreement.

B. To adjust the profit share liability from the Promotion Agreement generated prior to the closing of the Merger Transaction. Any payments owed to or from Sandoz prior to the closing of the Merger Transaction were not part of the assets acquired or liabilities assumed.

C. To record the fair value of the intangible asset and other assets acquired and the residual goodwill from the Merger Transaction. Goodwill, representing the excess of the purchase price over the fair value of the assets to be acquired, is $2,787,873. This allocation is based on preliminary estimates. The final allocation may differ materially from this estimate as changes to the initial valuation of assets and liabilities will be allocated to goodwill.

D. To reclassify Due to related party balance to Accounts payable if the Merger Transaction were in effect as of the balance sheet date.

E. To reflect the issuance of Liquidia Corporation Common Stock to then-members of RareGen and the elimination of RareGen’s historical members’ equity balance, including accumulated earnings.

F. To reflect unrecorded estimated transaction expenses of $2,250,000 as of September 30, 2020 in the Unaudited Pro Forma Condensed Combined Balance Sheet and to record total estimated transaction expenses of $4,750,000 in the earliest period presented. These transaction costs are one-time non-recurring expenses directly associated with the Merger Transaction.

G. To record a deferred tax liability for the difference between the tax and book amortization of the acquired intangible and other assets utilizing the blended federal and state statutory income tax rate of approximately 23% for the nine months ended September 30, 2020.

H. To record the preliminary estimated fair value of $1.0 million for an indemnification asset related to legal fees paid to cover the costs of the litigation among RareGen and Sandoz as plaintiffs and United Therapeutics Corporation and Smiths Medical ASD, Inc. as defendants. The Company is indemnified through the Litigation Funding and Indemnification Agreement, dated as of November 17, 2020, by and between PBM RG Holdings and RareGen.

I. To record the amortization expense applicable to the related period for the intangible asset acquired as part of the business combination. The newly acquired intangible asset has been amortized using an estimated useful life of eight years. The intangible asset is being amortized to cost of revenue based on the expected timing of yearly net revenues versus the expected total net revenues from the Promotion Agreement as this represents management’s best estimate of the pattern of utilization for the intangible asset. We are still in the process of evaluating the fair value of the intangible asset. Any resulting change in the fair value would have a direct impact to amortization expense.

5. Reclassification Adjustments

Certain reclassifications have been made to the historical presentation of earnings from continuing operations of RareGen to conform to the financial statement presentation of our company. The RareGen adjustments in the Unaudited Pro Forma Condensed Combined Statement of Operations for the nine months ended September 30, 2020 and the year ended December 31, 2019 are presented below:

Reclassification adjustments in the Unaudited Pro Forma Condensed Combined Statement of Operations for the nine months ended September 30, 2020:

	Before Reclassification	Reclassification Adjustments	Notes	After Reclassification
Net service revenue	$ 3,037,665	$ —		$ 3,037,665
Operating expenses:				
Cost of revenue	—	967,000	**(i)**	967,000
Litigation expense	3,162,808	(3,162,808)	**(ii)**	—
Payroll expense	1,680,204	(1,680,204)	**(i), (iii)**	—
Management fee	180,000	(180,000)	**(iv)**	—
Research and development	121,366	—		121,366
General and administrative	833,273	4,056,012	**(ii), (iii), (iv)**	4,889,285
Total operating expenses	5,977,651	—		5,977,651
Loss from operations	(2,939,986)	—		(2,939,986)
Interest income	19,094	—		19,094
Net loss	$ (2,920,892)	$ —		$ (2,920,892)

(i) Represents the reclassification of RareGen's sales force-related payroll expense into cost of revenue to conform to our company's statement of operations presentation.

(ii) Represents the reclassification of RareGen's litigation expense into general and administrative expense to conform to our company's statement of operations presentation.

(iii) Represents the reclassification of RareGen's management-related payroll expense into general and administrative expense to conform to our company's statement of operations presentation.

(iv) Represents the reclassification of RareGen's management fee expense into general and administrative expense to conform to our company's statement of operations presentation.

Reclassification adjustments in the Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2019:

	Before Reclassification	Reclassification Adjustments	Notes	After Reclassification
Net service revenue	$ 10,088,356	$ —		$ 10,088,356
Operating expenses:				
Cost of revenue	—	2,211,124	**(i)**	2,211,124
Litigation expense	5,312,357	(5,312,357)	**(ii)**	—
Payroll expense	2,944,705	(2,944,705)	**(i), (iii)**	—
Management fee	300,000	(300,000)	**(iv)**	—
Research and development	30,627	—		30,627
General and administrative	1,113,639	6,345,938	**(ii), (iii), (iv)**	7,459,577
Total operating expenses	9,701,328	—		9,701,328
(Loss) Income from operations	387,028	—		387,028
Interest income	22,799	—		22,799
Interest expense	(53)	—		(53)
Net (loss) income	$ 409,774	$ —		$ 409,774

(i) Represents the reclassification of RareGen's sales force-related payroll expense into cost of revenue to conform our company's statement of operations presentation.

(ii) Represents the reclassification of RareGen's litigation expense into general and administrative expense to conform to our company's statement of operations presentation.

(iii) Represents the reclassification of RareGen's management-related payroll expense into general and administrative expense to conform to our company's statement of operations presentation.

(iv) Represents the reclassification of RareGen's management fee expense into general and administrative expense to conform to our company's statement of operations presentation.

RareGen's intangible asset was reclassified to Other assets in the Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2020 to conform to our company's accounting policy and presentation of the financial statements.

6. Revision of Previously Issued Financial Statements

During the three months ended June 30, 2020, our company identified an error in the matter in which we calculated diluted weighted common shares outstanding and diluted net loss per common share. While we had included common stock warrants whose exercise price is de minimis in the calculation of basic weighted average common shares outstanding and basic net loss per common share, these warrants were inappropriately excluded from the calculation of diluted weighted common shares outstanding and diluted net loss per common share, which resulted in an error in those previously reported amounts for the year ended December 31, 2019. We have evaluated this error and determined that this error was not material to any prior annual or interim periods. However, we will revise the previously presented December 31, 2019 diluted weighted common shares outstanding and diluted net loss per common share as presented below when we issue our 2020 financial statements in connection with filing our Form 10-K as of and for the year ended December 31, 2020. This error has been corrected in the Liquidia Technologies column of the Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2019 presented above.

	Year Ended December 31, 2019	
	As Presented	As Revised
Net loss per common share: Diluted	$ (2.59)	$ (2.57)
Diluted weighted average shares outstanding	18,371,083	18,482,455